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# Consumer Complaints and Public Policy: Validating the “Tip-of-the-Iceberg” Theory

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Drew Hyman  
John Shingler  
Mitchell Miller

## ABSTRACT

*This article examines data from a statewide study to test whether organizational aberration theory or systemic pattern theory is supported by data on complaining. The article concludes that citizen and consumer complaints can serve both as early-warning and fail-safe functions leading to increased accountability and safer, more effective, high quality processes, products, and services.*

Are citizen and consumer complaints, especially those to third-party organizations, instances of unique organizational aberrations, or are they indicators of patterns in organizational processes, products and services? Many organizations behave as if the former is the case. Others use complaints as strategic intelligence about their operations and products. While there is considerable literature about consumers and consumer behavior when problems and complaints occur, there is a dearth of literature about complaints and their role in organizations that cause them. This article takes a step toward bridging the gap by examining data about consumer complaining to identify whether complaints should be considered as unique occurrences or whether they might be reflective of broader organizational malaise. It examines the

"tip-of-the-iceberg" theory using survey data about general consumer problems and in particular, serious utility consumer complaints.

The classics in organizational literature support arguments for both perspectives, but tend to suggest that the former may describe what actually occurs in most corporations and government agencies. Merton (1952) suggests a process of "sanctification" of organizational norms and the vesting in middle-level managers of the power and prestige of the structure which results in "exaggeration of position with reference to the public" and consequent rigidity in defense of established routines. Crozier (1964) discusses the process whereby organizational culture and communications develop into patterns of interest at all levels to the point that bureaucracies "become unable to correct their own errors." Kaufman's (1973) study found considerable communication within agencies coupled with a tendency for information on problems to be screened from high executives. Bar-Josef and Schild (1973) identify the complaint-handling process as an organizational defense mechanism whereby complaints are considered as exceptions: once dealt with individually, organizational action terminates, thus putting the onus on the external individual or occasional mistakes by the organization. Kanter (1979) identifies the process as "power failure in management circuits" wherein "limited or blocked lines of information about lower levels of organization" prevent top executives from hearing about potential problems. This perspective obviates the need to consider further action that might disturb the status quo within the organization. The implication is that complaints represent unique events that reflect problems with specific products, services, or individuals. We will call this perspective the *organizational aberration theory* of complaining behavior.

Another perspective, which we will call the *systemic pattern theory*, asserts that complaints contain messages that extend beyond specific situations to organizational policies, processes, products, or services. Hill (1981) and Hyman (1979, 1990) suggest that "latent messages of policy or program interest are often concealed in the specific content of one or many individual problems. Development of pattern recognition or negative feedback techniques can transform" specific complaints into messages about systemic patterns or problems (Hyman 1987). An offshoot of this perspective is the tip-of-the-iceberg theory.

The "tip-of-the-iceberg" theory asserts that consumer complaints to a third-party intervenor are but a portion of those that exist in the broader population. Third-party intervenors include public and private consumer protection agencies, regulatory commissions, and government officials, such as ombudsmen, that receive and investigate complaints. Therefore, complaints to third-party intervenors can be an important source of information for managers, executives, and policymakers. Such information

can make top officials aware of the nature of problems experienced by consumers and of systematic errors in organizational processes and systems which should be corrected. The use of consumer complaints as policy and organizational indicators builds on the "tip-of-the-iceberg" principle, using analysis of the "visible" portion of complaints as being reflective of a broader universe of problems that exists (Hyman 1987, 1990).

Previous studies into complaining focus on individual steps in the complaining process, such as problem perception, voicing, or resolution. They lead to the inference that only a portion of all complaints reach third-party agencies. None has examined the entire process in one study. This study examines the entire complaint process from problem occurrence through resolution. It takes a pivotal step in the direction of validating the process of formulating public policy based on those complaints which do reach third-party intervenors. We first examine the extent to which consumers perceive they have problems or disputes with sellers about products or services. Data is presented on the extent to which consumers take action to resolve problems, with whom and by whom. We also examine what actions, if any, consumers take to complain to a third-party agency such as a consumer protection office or utility regulatory commission. Specific attention is given to problems encountered in the use, payment, and service of residential utilities (gas, electric, water and telephone). Data on associated issues involving chronic complainers and seriousness of problems are examined.

A research model based on five stages of the consumer problem-solving process guides the analysis. Data from a major statewide survey are used to test two competing hypotheses about the nature of complaints. The *organizational aberration hypothesis*, asserts that most serious consumer problems are perceived, voiced, and presented to the offending business or organization. Therefore, the universe of complaints is the universe of problems experienced by consumers. The *systemic pattern hypothesis* states that individual personality, organizational, or environmental factors operate to inhibit the problem-solving process at any of several stages following occurrence. Therefore, the universe of problems perceived, voiced and complained about will be successively smaller than the universe of problems experienced by consumers. The five-stage consumer problem-solving process guides our study.

### **The Five-Stage Consumer Problem-Solving Process**

This study examines data on the entire problem-solving process. Previous research has examined portions of the problem perception and complaining process. Different studies support parts of the systemic pattern

hypothesis. Best (1981) describes three stages of the complaining process: problem perception, voicing of complaints, and resolution of complaints. Warland, Herrmann, and Moore (1984) develop a typology of consumers based upon consumer complaining behavior. Landon (1977) finds that the availability of a channel for complaining and the expected cost of complaining influences whether people will complain or not. Hyman's (1990) hierarchy of consumer participation segments consumers into the following groups: consumer influentials are active in their own decision making as well as in policy and advice-giving activities; active consumers make their own decisions based on a variety of information sources; dependent consumers do what others tell them (including acquaintances and sellers), thus allowing others to decide for them; and, nondecision makers have no active involvement in their decisions, taking no action and/or allowing sellers to decide for them (e.g. default options). Inferences drawn from these and other studies support the tip-of-the-iceberg hypothesis, although no single study has examined the total process from problem occurrence through voicing perception, complaining, and resolution. This study takes a pivotal step in the direction of validating or refuting inferences that the stages are empirically linked.

Figure 1 depicts the five-stage conceptual model of the problem-solving process that guides our analysis: occurrence, perception, voicing, complaint-handling, and resolution. The stages are sequential. Consumers may "exit," thus terminating the process at any stage. Exit actions are the key to the tip-of-the-iceberg theory in that they represent the unseen part of the universe of complaints.

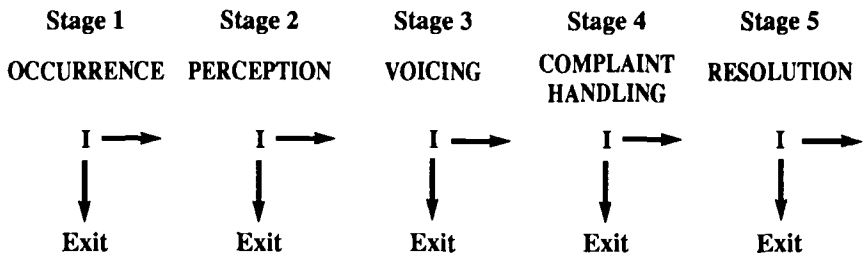


Figure 1. Model of the Consumer Problem-Solving Process

Stage 1 involves the incidence, *occurrence*, of an event involving a problem or defect in a product or service; occurrence represents the universe of problems in the population. Stage 2 indicates that consumer *perception* that a problem or dispute with a seller/provider exists is prerequisite to action. Perception of problems associated with products or services may be shadowed by a number of factors, including the difficulty in finding the relevant facts (Best 1981). Facts may not be evident to injured parties; therefore, they do not perceive a legitimate problem or follow through on their dissatisfaction. All too often, consumers are not aware of their rights regarding redress and the process of complaining. Many consumers have difficulty defining and articulating problems. Perception is prerequisite to active recognition that a problem or complaint exists—but does not address action.

Stage 3, *voicing*, is the first step where problem-solving action may, but does not necessarily, occur. Voicing a problem to others varies from merely giving injured parties some satisfaction (as in “getting things off their chest”) to initiation of major action toward rectification or resolution. In general, consumers are not well-informed about how to complain and contact third-party complaint agencies. Analyses show that some groups of consumers, in particular low-socioeconomic status consumers, tend to have lower participation rates regarding voicing of complaints to problem-solving agencies (Thomas & Shuptrine 1975; Haefner & Leckenby 1975). Voicing to a legitimate third-party complaint-handling agency is an obstacle for some consumers. Consumers possessing little knowledge of complaint resolution agencies may have to contact two or even three agencies before the dispute ends up in the right hands. This may create great psychological and economic costs for consumers and, after several attempts which result in reaching inappropriate agencies, they may become resigned to accept the situation and give up. This reinforces the belief that complaining does not generate positive results.

*Complaining* to a seller or a third-party is Stage 4 of the complaining process (voicing and complaining may occur simultaneously). If consumers are motivated to pursue a problem to positive resolution, they will complain to the seller, manufacturer, service provider, or to a third-party agency. Barriers to complaining include lack of self confidence and/or motivation, difficulty in determining the facts, difficulty in identifying legal rights, the frequently complex and time-consuming character of the complaining process, and inadequate awareness of legitimate third-party complaint-handling programs (Best 1981; Thomas & Shuptrine 1975; Haefner & Leckenby 1975).

Finally, Stage 5, *resolution*, involves the action process culminating in a decision, or outcome of complaints. Resolutions may be successful or

unsuccessful from the perspective of the consumer. The majority of consumers enter the complaining process to achieve a successful outcome for their complaint. Resolution may occur at any stage in the complaining process; that is, one must not pass sequentially through each stage before resolution may occur. Ideally, complaints that are not successfully resolved at an earlier stage will proceed to the next stage of the complaining process.

### **Conflicting Perspectives on the Problem-Solving Process**

Empirical documentation of the process is important for both research and practice. While the stages of the problem-solving process are fairly straightforward and logical, there is considerable debate in the field about whether most consumers have access to the entire process, or whether barriers exist which prevent some (or most) from proceeding to the later stages. Best (1981), Warland (1977, 1984), and Hyman (1981, 1990) contend that the problem-solving process operates to discourage consumers from proceeding through the various stages. There are barriers to perceiving, voicing, complaint handling, and resolution. Only a portion of the problems/defects that exist are actually perceived; only a portion of those perceived are voiced; only a portion of those voiced gain access to a complaint-resolving party; and only a portion at each stage are resolved successfully. They infer that the body of complaints that reach a third-party complaint program is but a fragment of those that exist. This perspective follows from the systemic pattern perspective and encapsulates the "tip-of-the-iceberg theory."

Another perspective, which we associate with the organizational aberration theory, is that most problems and complaints are dealt with directly and at the appropriate level. This perspective emerges from the organizational literature and from numerous discussions with managers and directors of corporations and consumer service programs. Complaints are seen as resulting from serendipitous breakdowns, exceptions to the rule, which affect only those few people who complain. It is also reasoned that seriousness determines the level of action. Consumers will not act if the problem is not worth their effort. Less serious problems are dealt with by sellers/providers. The few complaints that reach later stages of the complaint process represent the universe of serious complaints that exist. We are unable to locate studies of management's response to complaints and how they are used in organizational processes.

Two corollaries to the organizational aberration theory also endure. One, the "chronic complainer hypothesis," contends that many of the complaints

to third-party complaint-handling organizations are from a few people who habitually complain about everything. This argument is usually accompanied by the assertion that most complaints are not really important and that people should be able to handle these complaints without assistance from others. The second argument, the "serious complaints hypothesis," suggests that the complaints that reach a third-party organization are the more serious complaints: all others are minor complaints. Both of these arguments imply that the complaints that reach a third-party organization should be considered in themselves and that inferences to the broader population and about the systems that generated them are not proper. The tip-of-the-iceberg theory denies these assertions. The empirical analysis presented herein is thus a test of the iceberg theory and will shed light on whether the organizational aberration or systemic pattern theories are more appropriate. Our analytical framework is as follows.

### **The Organizational Aberration and the Systemic Pattern Theories**

If all consumer problems are perceived, voiced, and presented to the offending business or organization, then the universe of complaints is the universe of problems experienced by consumers. This situation, depicted below as Hypothesis 1 (Figure 2), flows from the organizational aberration theory.

If, however, individual personality, organizational, or environmental factors operate to inhibit the problem-solving process at any of the stages following occurrence, then the universe of problems perceived, voiced, and complained about will be successively smaller than the universe of problems experienced by consumers. This latter situation is depicted in Hypothesis 2 (Figure 2), and is associated with the systemic pattern perspective.<sup>1</sup> A number of writers suggest that the latter case is, in fact, what tends to occur in the real world (Best 1981; Warland, Herrmann & Moore 1984; Hyman 1990).

Some policymakers and researchers take this reasoning one step further (Krendel 1970; Hyman 1987, 1990). They suggest that the complaints which reach a third-party complaint-handling agency can be equated to a sample of those that exist in the broader environment (Farrell 1986). While the representativeness of the complaint sample of the larger universe of problems is a researchable question, there is a substantial drop-off from perception to voicing to complaining. Further, only a portion of the complaints ever reach a third-party complaint-handling agency. It follows, then, that the messages inherent in a few complaints can be said to "represent"



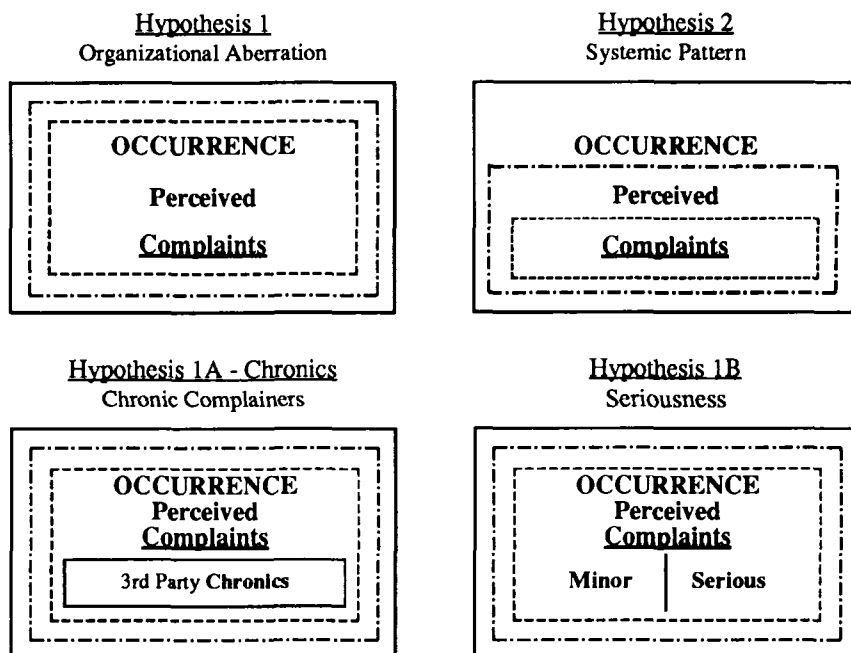


Figure 2. Competing Hypotheses about the Problem-Solving Process

probable patterns of others that exist but do not reach the third-party complaint stage.<sup>2</sup>

If complaints which reach the third-party level are reflective of those that do not, then analysis of patterns and trends of complaints can provide "indicator areas" where attention by managers and policymakers may be appropriate. Aggregate analysis of the "tip-of-the-iceberg" thus produces "error signals" and "problem indicators" of underlying potential problems in policy, law, regulation, or procedure. Despite the assertion in the literature that this latter perspective is accurate, and the fact that the approach has been effectively applied in a number of areas, the fundamental assumptions have not been empirically demonstrated heretofore in a single study. We tested these hypotheses with data from a major statewide study.

## Data and Methods

A 1985 statewide representative sample of residential telephone customers in Pennsylvania is the primary database for the analysis. The sample was selected using modified random digit dialing to assure representation of customers with both listed and unlisted telephone numbers. The final sample size is 500, based on a 59 percent response rate. Sampling tolerances are estimated at plus or minus 3 to 4 percent at the 0.05 level of significance. A second source of data is from a 1981 sample of general residential electric utility customers in Pennsylvania. The sample was randomly assigned based upon residential utility customer account numbers provided by all regulated electric utility companies in the state. The final sample size is 559 based on a 65 percent response rate. Sampling tolerances are similar to those for the 1985 study. Analyses herein are from the 1985 study unless identified otherwise.

Pennsylvania has the fourth largest urban population and the largest rural population among the fifty states. Ninety-six percent of the residential households receive electric service from regulated utility companies, and ninety-seven percent have telephone service. We tested for differences in results on similar items between the samples which would not be expected to change significantly between the two studies (e.g. heating fuel). Differences are not statistically significant; thus we suggest the results of the two studies are mutually supportive and comparable. The studies are considered to be representative of utility consumers statewide; and, because of the market penetration of utilities, they are fairly representative of the population.

Our data allow us to examine the consumer complaining process in general with specific focus on utility problems, such as with electric, gas, water, or telephone service. Utility services provide necessities of life, such as heating, lighting, water heating, drinking, cooking, and communications (Hyman 1987). One does not have to look further than the daily newspaper to find examples of the importance of utility services or of the consequences of unvoiced or unresolved complaints and problems with utility service. Many people on fixed incomes, including the poor and elderly, find themselves without heat or telephone service because they cannot successfully resolve a problem with their bill or service. Each winter newspapers carry reports of people who freeze to death following the termination of their utility services. Fires often result from poor equipment or from consumer actions to compensate for the lack of utility services, such as heating or lighting. Thus, utility services are important elements of household budgets, essential components of modern living, and can provide an important source of data on the complaining process.

## Research Findings

### Differential Perception: The Universe of Consumer Problems <sup>3</sup>

To document the initial stages of the complaining process—occurrence and perception—consumers were asked if they had a problem or complaint about a variety of products and services during the past two years (1983-85). The items (Table 1) are derived from the Consumer Problem Index as developed by Warland et al. (1984). The utility and telephone items were added for this study. Consumers' perception of problems vary across the categories mentioned. Results of the reliability test (Chronbach's Alpha) is similar to that for the Warland study both without and with the two additional items included. At most, only one in four consumers perceive a problem or complaint in any of the ten areas, and in some areas less than one in ten perceive a problem. Thus, consumer problem perceptions appear to involve a judgment/motivation process as suggested by previous studies, and the rate of problem perception differs across products/services, suggesting differences in the occurrence-perception processes predicted by Hypothesis 2.

Note also that perception of complaints about utility companies (telephone or gas/electric) does not show an appreciably higher or lower rate of

Table 1.  
Perception of Major Consumer Problems

<p>"During the past two years (1983-85), have you had a problem or complaint about..."</p>	
	YES %
Misleading advertising	24.6
A utility company (gas/electric) service	21.6
Defective products	21.2
Poor quality auto repairs	20.4
Mail order sales	18.0
Telephone service	17.8
Little attention to consumer complaints	17.2
Health Insurance	12.2
Misleading packaging and labeling	10.4
Home improvements	8.3

occurrence as compared to other types. Utility services (gas and/or electric) are mentioned second most often out of ten areas. Telephone rates are sixth. Thus, some consumers perceive problems with their utility service, and the rates are not significantly distinct from those for other areas. Irrespective of occurrence rates, the problem perception rate is about 10 to 20 percent across the ten areas. A minority of consumers perceive problems in any one area.

### The Pervasiveness of Problem Perception

The data reported in Table 1 indicate that ten to twenty percent of consumers perceive problems in each of the ten areas in a two-year period. These data do not indicate the percentage of consumers that report problems across several or all areas. Figure 3 addresses this latter issue; it presents data on the percent of people (in the representative statewide sample) who report having consumer problems in zero to ten areas. The data reflect the total number of areas where a respondent reported having a problem (a respondent could thus perceive problems in zero to ten areas). These data allow us to identify whether most consumers perceive some problems or whether a few consumers perceive most problems.

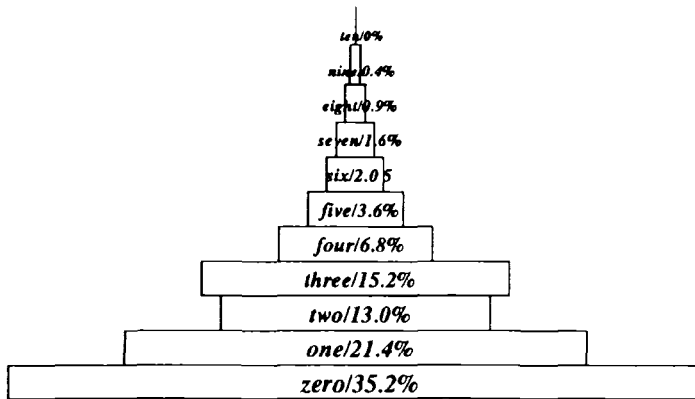


Figure 3. The Pervasiveness of Complaining Pyramid  
(Percent of consumers reporting problems or complaints in ten areas.)

The data show that problem perception is spread widely throughout the population. First, over one-third report no problems in any of the ten areas in a two-year period. Second, a majority report problems in three or fewer areas. This means that the overwhelming majority report problems in one or more areas—even though no single area is perceived by a majority. Finally, only a small percentage of consumers report problems in six to nine areas, and no consumers report problems in all ten areas. Most problems that have an opportunity to enter the problem-solving process are identified by people who perceive problems in only a few areas over a two-year period. We conclude that perception of problems is a selective process—only a portion of the universe of consumers perceive problems. Perception varies considerably across the wide majority of the consumer public; and, as seen below, generally across various socioeconomic groupings.

### Who Are the Problem Perceivers?

A comparison of the social background characteristics of consumers who perceive utility problems to the general population shows that problem perceivers are generally similar to the overall population, although some differences do exist (Table 2). Both telephone and utility problem perceivers are quite similar to the overall consumer population. That is, there are few differences between groups with different types of complaints. Older people, retired people, and people with incomes less than \$10,000 do tend to perceive problems at lower rates than the average consumer. We conclude that utility problem perceivers are quite similar to a cross-section of the overall consumer population.

### Are Most Perceivers "Chronic" or Habitual Complainers?

These data also allow us to address the question of whether most consumers who complain are "chronic" complainers. Webster defines chronic as "marked by long duration or frequent occurrence." By our standards, individuals are considered to be chronic complainers if they perceive problems in most of the areas studied during a two-year period. Looking again at Figure 3, we see first that the overwhelming majority of consumers report problems in zero to four areas. Second, less than 10 percent report problems in five to seven areas. Third, only a minuscule proportion reports problems in eight or nine areas (less than one percent of the total), and no consumers report problems in all ten areas. These data do not eliminate the fact that there may be a few chronic complainers; it does indicate that the overwhelming number of problems perceived are not by chronic complainers.

Table 2.  
Social Background of Consumers with Utility Problems or Complaints in  
Two Years (1983-1985)

	Telephone Complaint		Utility Complaint		Statewide Average
	NO %	YES %	NO %	YES %	TOTAL %
AGE					
LT 30	17	20	16	20	17
30-44	33	53	34	48	37
45-59	26	18	25	20	24
60 +	24	9	25	11	22
	p = .001		p = .002		
EDUCATION					
LT H.S.	18	9	18	9	16
H.S. Grad	43	49	44	45	44
Some College	16	14	15	19	16
College Grad	23	28	23	27	24
	p = .2 (n.s.)		p = .2 (n.s.)		
EMPLOYMENT					
Employed	69	87	69	84	72
Unemployed	5	8	5	7	6
Retired	20	6	20	7	17
Homemaker	5	0	6	2	5
	p = .001		p = .006		
MARITAL STATUS					
Married	66	63	68	58	66
Single	13	16	11	21	13
Divorced	8	16	9	12	10
Widowed	13	6	12	9	11
	p = .05		p = .05		
INCOME					
LT \$10K	21	9	21	12	19
\$10K-\$20K	26	26	26	27	26
\$20K-\$35K	32	37	29	44	33
\$35K+	21	28	24	17	22
	p = .3 (n.s.)		p = .2 (n.s.)		

\*Chi Square test used in data analysis. (n.s.) = not significant. The Chi Square test statistic is considered statistically significant at the p = .05 level or better.

To summarize the analysis so far, the universe of problem perceivers is smaller than the universe of consumers. Problem perceivers vary in the number of problems perceived over a two-year period. Most problems are not perceived by "chronic" complainers. Problem perceivers are widely distributed throughout the population. These findings support the initial part of "tip-of-the-iceberg" hypothesis. It refutes the chronic complainers hypothesis. The next section examines data on the voicing/complaining stages of the model.

### Voicing and Complaint-handling

The "tip-of-the-iceberg" theory is supported fully only if it can be demonstrated that many consumers who experience problems do not present problems or complaints to complaint-handling organizations, especially those that are more serious. Table 3 shows responses for items derived from previous studies (Warland 1977; Hyman 1990). People were asked to respond "yes" or "no" to a series of questions about "actions you may have taken" during the past two years to deal with problems or complaints with products or service. They were asked whether they told others about a problem, stopped using the product/service, complained to the seller, complained to the manufacturer, complained to a private third-party organization, or complained to a governmental third-party. Consumers could answer "no" to all possible actions; they could answer "yes" to more than one. Respondents who answered "no" to all six categories and did not indicate an "other" response are recorded as having done "nothing."

Table 3 shows that there are varying degrees of action that individuals pursue when faced with dissatisfaction over products or services. More than one in three consumers (36 percent) do nothing about perceived problems. Over half of the consumers, however, tell someone else about their dissatisfaction (54 percent). "Someone else" is generally a family member or friend. For many, complaining stops at this point. The effort required to contact the seller and to articulate the problem, the anxiety over what may happen when confronting a seller or manager, and similar barriers to voicing beyond family and friends have been documented elsewhere (Best 1981). Moreover, the sense of dissatisfaction or injustice may fade with continued voicing to understanding peers. Voicing may temporarily relieve the anxiety for the consumer even though the problem still exists. In addition, some people simply "stop using" the product or service. Just less than one in three (31 percent) indicate they took this action.

The "do nothing," "told others," and "stopped using" actions play a key role in understanding the "tip-of-the-iceberg." They represent consumers

Table 3.  
Voicing/Complaining Channels: Action Taken on Perceived Consumer Problems

Contacted:	Percent
Government	6
BBB or C. of C.	10
Manufacturer	29
Seller/Manager	35
Stopped Using	31
Told Others (family, friend)	54
Nothing	36

N = 500

who drop out of the complaining process (exit) at a very early stage—a stage at which neither the seller, manufacturer/provider, nor third-party organizations have an opportunity to address the issue directly (presumably if enough consumers stop using a product or service, the message will come through indirectly). Actions involving exit from the process without directly addressing the problem represent the majority of responses to perceived consumer problems. The preponderance of complaints is unknown to those who might do something about them.

A minority of problem perceivers report actions that allow their problem to be addressed directly. Just over one in three contact the seller/manager (35 percent). Somewhat fewer contact the manufacturer (29 percent). The seller/manufacturers have the largest opportunity to provide redress (although only for a minority of perceived problems). *Third-party organizations have a less than one-in-ten opportunity to deal with perceived problems and complaints.* Private sector third-party organizations (such as the Better Business Bureaus and Chambers of Commerce), are contacted by 10 percent of the consumers. Public sector, third-party organizations (such as consumer protection offices or public officials), are contacted by 6 percent of the consumers. Thus, for the overwhelming majority of consumers who perceive problems in one or more of the ten general problem areas identified earlier, only a small minority report making contact with a third-party complaint-handling organization about any of the problems they perceived in a two-year period. These findings strongly support the hypothesis that most consumer problems do not come to the attention of third-party complaint-handling programs. Hence, the data support Hypothesis 2—problems



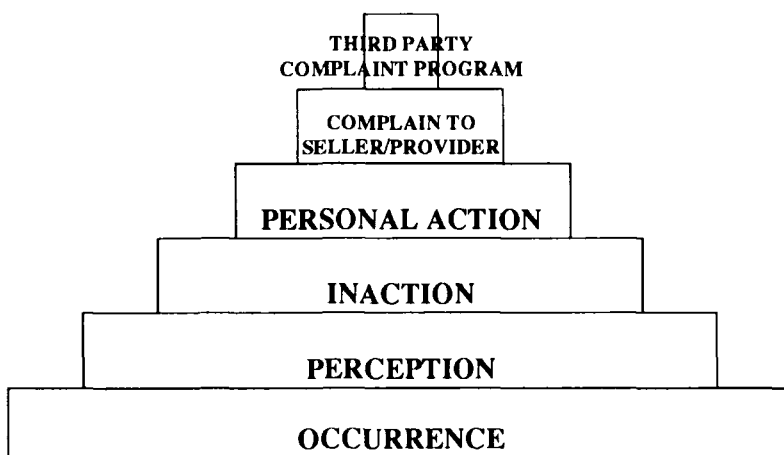


Figure 4. Hierarchy of Consumer Action on Problems/Complaints  
*"The Tip of the Iceberg"*

reaching a third-party organization represent the "tip-of-the-iceberg" of problems which exist in the broader consumer community.

Figure 4 depicts the hierarchy of consumer actions on problems or complaints. The universe of consumer problems which exists at the *occurrence* stage is successively reduced at later stages to the point that only a small percentage reach the *complaining* stage. This model of the consumer problem and action process is supported by the empirical data presented above.

Additional light is shed on the issue of chronic complainers and an associated issue that some "activists" may account for a large portion of the complaints. We tested the likelihood that people who perceive more problems are the ones that take more actions by creating two combined scores for each respondent as follows: the "problem perception index" is the total number of areas where a respondent indicated having a problem in the last two years (Table 1); the "voicing/complaining index" is the total number of types of voicing/complaining actions taken (Table 3). Each consumer in the study could have a problem index of zero to nine and a complaining index of zero to six. In both cases, the higher number indicates higher involvement.

As shown in Table 4, people perceiving zero or one problems tend to do nothing; although those that do act are represented at all levels, but at a

Table 4.  
Problem Perception versus Voicing/Complaining

Problem Perception Index	Voicing/Complaining Index							Total %/N
	0	1	2	3	4	5	6	
0-1	31.8	7.4	9.0	5.0	0.8	0.6	0.2	56.6/283
2-5	4.0	7.0	9.4	9.4	5.8	1.5	0.6	38.6/193
6-9	-	0.2	0.6	1.6	0.8	1.4	0.2	4.8/24
								100/500

rapidly declining rate. People in the mid-range of perception (two to five problem areas) have higher rates of voicing/complaining actions in the mid-range as well. Finally, those highest on the problem index (six to nine problem areas) are a small minority whose voicing/complaining actions span the entire continuum of responses. (The Chi Square statistic is highly significant for these data.) We conclude that most of the problems perceived by consumers receive little action on the hierarchy of voicing/complaining; and, those consumers who perceive a large number of problems only infrequently go to the top in their search for redress.

### Consumer Actions and Social Background

As noted earlier, utility problem *perceivers* come close to representing a cross-section of the overall consumer population. A quite different pattern emerges when we examine data on the social background of consumers who pursue consumer problems to the *voicing/complaining* levels of the complaint hierarchy (Table 5). The data show that income, education, age, and employment status are significantly related to the complaining behavior of consumers. Significant differences exist between those who do nothing and those who take action; and there are also significant differences between those who voice complaints and those who contact a complaint-handling agency or manufacturer.

*Income.* Table 5 shows that fewer consumers (24 percent) in the \$35,000 and above income bracket choose to do nothing about a problem or complaint. Consumers in this income group are more likely to contact the manufacturer about a faulty product. Twice as many consumers in the less than \$10,000 income category are more likely to do nothing about a problem or

Table 5.  
Action Taken on Complaints by Social Background

	No Action %	By Self %	Ctc Seller %	Ctc. Mfr. %	3Rd.Pty %
<b>INCOME</b>					
LT \$10K	51	13	18	11	7
\$10K-\$20K	39	20	15	12	14
\$20K-\$35K	32	18	15	20	15
\$35K +	24	9	14	34	19
<b>EDUCATION</b>					
LT H.S.	51	16	22	5	6
H.S. Grad	42	18	11	16	14
Some Coll.	23	13	21	26	18
College Gr.	22	12	17	33	15
<b>AGE</b>					
LT 30	25	18	21	20	16
30-44	32	12	12	27	17
45-48	36	18	17	16	13
60+	50	17	17	10	6
<b>MARITAL STATUS</b>					
Married	35	13	15	21	16
Single	26	24	17	21	12
Divorced	37	15	19	19	11
Widowed	47	18	16	11	9
<b>EMPLOYMENT STATUS</b>					
Employed	32	14	15	24	15
Unemployed	36	14	25	7	18
Retired	45	19	18	11	8
Homemaker	68	18	5	5	5

\* Percentages total across rows.

n=500

complaint over a product or service. Lower income groups are less likely to contact the manufacturer or a third-party to resolve the complaint. Higher proportions of people in the upper income brackets are likely to complain to a third-party.

*Education.* Over half of the consumers with less than a high school education report doing nothing about a complaint. Consumers with some college education and college graduates have higher rates of authoritative actions in response to consumer complaints. The college graduate group is most likely to contact the manufacturer about a service or product problem.

*Age.* Fifty percent of the consumers 60 years of age or older do nothing about a problem or complaint. These consumers may have difficulty accessing a manufacturer or third-party; therefore, they have fewer opportunities to voice complaints when faced with dissatisfaction over a product or service.

*Marital Status and Employment.* Widowed consumers voice problems or complaints to a manufacturer or third-party to a much lower degree than their married counterparts. Likewise, retired persons or homemakers contact a manufacturer or third-party at a much lower rate than employed consumers.

These data provide additional insight into the consumer complaining process. We saw earlier that at the *perceiving* stage, the social background of consumers is quite similar to that of the general consuming population. Definite differences emerge at the *voicing* stage. At the *complaint-handling* stage the acting group is even more different. Those consumers who drop out of the complaining process at earlier stages tend to have lower incomes, lower levels of education, or to be over sixty. We also note that consumers who experience socially stressful or less socially rewarded situations (such as unemployment, being a homemaker, or being widowed or divorced) also show higher rates of inaction and lower levels of action.

It is hard to conceive situations where utility problems would systematically occur differentially based on these criteria. It seems most reasonable to conclude that problem occurrence is most likely spread across all social background categories; and, that consumers who encounter barriers, either personal or external, to pursuing complaints at higher levels have higher proportions of social disadvantage. This perspective is supported by the analysis of perceivers which shows lower social background differences from non-perceivers. The process operates so that those who have tend to get action, while those who have not tend to get inaction.

### Do the Serious Complaints Filter Up to Third-Party Agencies?

Utility services for heating, cooking, and appliances are considered to be necessities of life in contemporary society. Threat of deprivation of necessary utilities is a serious problem. The 1981 study gathered data on four different statewide samples which allow us to examine the issue of whether only serious problems are presented to a third-party organization and conversely whether all serious problems reach the third-party. The four

samples are comprised of the following: the general statewide consumer population, people with overdue utility bills who received a termination notice that their service would be shut-off in ten days if the bill was not paid (termination notice sample), people whose service was actually terminated for nonpayment (service terminated sample), and people who contacted the public utility commission for mediation of payment problems with utility companies following a ten-day notice (PUC/BCS). People were asked, "Have you had a problem or complaint about a utility company service or bill in the past year?" (The question for the utility commission sample was preceded by, "Other than a problem managing your utility bill, have you had a problem or complaint...?")

Note first that the percentages of each sample reporting a problem are similar with the exception of the service terminated group. The percentage of people who perceive they have problems does not vary substantially, even for the more serious termination notice group. In addition, over half of the service terminated group did not perceive their termination situation as a "problem or complaint about a utility." Problems exist across the spectrum of seriousness, and many people in serious situations do not perceive that problems as such exist. Second, the patterns of action taken are all similar. All four groupings overwhelmingly report contacting the business involved, and only small percentages report contacting public officials or the complaint agency (utility commission). Higher percentages of those in the more serious situations do contact the complaint agency, but at most only one in six. Finally, note that the successful resolution rates ("... did you get what you wanted?") are almost identical: successful resolutions are reported for just less than half of all complaints for all groupings. Successful resolutions are higher for the general and notice populations than for those whose service was terminated for nonpayment (Table 6).

Again, there is a clear message contained in the data. Only a small percentage of problems is presented to third-party complaint-handling organizations. This is true even of those seriously threatened with deprivation of utilities that are considered necessities of life. The business involved resolves problems successfully in only a minority of the cases (except where an overdue bill is involved). These data support the "tip-of-the-ice-berg" theory and document the need for third-party complaint-handling programs.

### Does the Tip Reflect the Berg?

An associated issue addresses the question of whether the complaints that reach a third-party organization are a specialized subset, or whether

Table 6.  
Complaint Perception, Voicing , and Seriousness (1981 Study)

		General Consumer Population %	Overdue/ Termination Notice %	Service Terminated Nonpayment %	Contacted Utility Commission %
<b>PERCEPTION—GENERAL CONSUMER PROBLEMS</b>					
Had Consumer Problems in					
the Last Year	No	84.7	88.7	88.6	85.2
(type not specified)	Yes	15.3	11.3	11.5	14.8
<b>PERCEPTION—UTILITY PROBLEMS</b>					
Had Utility Problem	No	75.7	71.9	58.0	76.8
in Last Year	Yes	24.3	28.1	42.0	23.2*
<b>COMPLAINING—ACTION TAKEN ON UTILITY PROBLEM</b>					
Did You Contact	No	23	17	11	15
Anyone About it?	Yes	77	83	89	85
Who was contacted?					
Nobody/Handled by Self		17.9	10.8	14.1	9.7
The Business Involved		76.7	84.1	78.9	74.1
Public Officials/ Complaint Agency		5.4	3.3	7.05	16.1
<b>RESOLUTION OF UTILITY PROBLEM</b>					
Successfully Resolved by					
Company—No Overdue Bill	41		44	42	41
Successfully Resolved by					
Company—Overdue Bill	73		62	49	N/A

they are reflective of the broader universe of complaints. Table 7 presents data on the types of problems reported by the general residential and service terminated samples, along with the universe of all cases presented to the Public Utility Commission's Bureau of Consumer Services (PUC/BCS). The same coding scheme was used for all three data sets.

The comparisons in Table 7 are quite revealing. The general sample and the PUC/BCS universe are quite similar, supporting the generalization that

Table 7.  
Does the Tip Reflect the Berg?

	Billing/ Credit	Rates	Services	Termination of Service	Other	Total N
General Pop.	49.2	20.3	25.8	2.4	2.3	100/128
Terminated Customer	56.5	13.9	9.2	15.8	4.6	100/108
PUC/BCS Clients* (1981)	48.1	6.1	28.3	10.0	7.5	100/6670

\*Source: *Consumer Services Activity Report: 1981*, PA Public Utility Commission, June 1982.

the problems that reach the third-party consumer organization are generally reflective of the types of problems that exist in the general population. Two differences are notable. Rate complaints are much more prevalent in the general population than in the PUC/BCS universe; termination problems are more extensive in the PUC/BCS group. Note, too, that the service terminated and PUC/BCS clients defined (perceived) their problems as billing/credit rather than termination of service issues, shedding some light on the differential perception phenomenon. The sample of terminated customers is skewed considerably toward the billing/credit and termination-related problem areas. These findings are not surprising given the serious nature of having basic utility services terminated. We conclude that there is only a slight tendency toward more serious complaints to gravitate toward third-party organizations, and that only a proportion of the serious complaints that exist reach this level.

## Discussion and Conclusions

Consumers' dependence on a market environment is increasing, and their confidence in businesses to provide honest service and high quality products is diminishing (Best 1981). Consumers must rely upon sellers to provide high quality products at fair and reasonable prices. Consumer problems arise when buyers feel they are not receiving proper goods or services, when problems or defects exist, or when they are not treated fairly. In this environment, the burden of action typically is on individuals, who

have the responsibility to express their dissatisfaction to sellers/manufacturers. Action based on individual problems, however, does not address systemic patterns or problems.

This analysis supports the "tip-of-the-iceberg" perspective to consumer complaining and problem solving. The problems that reach a third-party program such as an ombudsman, consumer protection agency, or regulatory commission are but a portion of those that exist in the community. In their own way, then, complaints that reach this level can be said to "represent" many others that for whatever reason are not voiced. This perspective has been adopted by many ombudsman and complaint-handling programs both nationally and internationally.

While data on Stage 1, occurrence, is not available, the study shows that Stage 2, perception of consumer problems/complaints, occurs for only a portion of the general population. Most importantly, consumers' responses to perceived problems and complaints vary considerably: many do nothing, others simply voice their complaints to acquaintances or stop buying the product. A considerable proportion are presented to the seller/manufacture for redress. Only a small percentage, however, ever reach the third-party complaint-handling stage. Thus it is reasonable to infer that for each complaint reaching a third-party complaint program, many others most likely occur in the broader community—some of which get effective action.

From the tip-of-the-iceberg perspective, the resolution of those complaints that do not reach the third-party stage is a secondary issue. If a broader pool of complaints exists, it is most likely reflective of systemic problems in products or services, which in turn are indicators that call for action on issues of policy, management, or substance. This is not to say that resolution at lower levels is not an important issue, but it is important mainly from the perspective of the individuals who experience the problem. The mere existence of the larger pool of problems in an aggregate sense should be a phenomenon of considerable concern to managers and policy makers. Identification of patterns by analyzing the portion that reaches the complaining stage can provide a valuable tool for those responsible for accountability, guidance, and control.

We are not articulating an idea which is unknown to the American consumer. Complaints that number in the hundreds frequently lead to product recalls numbering in the millions. The few complaints which are voiced and do reach the managerial or policy-making level provide indicators of potentially, broad-based problems, which in turn, are used to trigger investigation and, as appropriate, correction of policies, products, or services. The few precipitate inquiry to determine whether the many exist and, if so, to take corrective action. This analysis of the tip-of-the-iceberg theory and



its implications provides insight for managers and policy makers at the very top of the decision-making hierarchy. Managers who utilize a system for tracking consumer complaints can key into specific problem areas for further inquiry. In turn, changes in complaint rates in an area where action has been taken, can be used to monitor implementation. The model of the consumer problem-solving process needs to be expanded to reflect this perspective. Figure 5 depicts an expanded model that is in keeping with the findings of this study and reflective of the systemic pattern perspective on complaints. Exit from Stage 6, pattern analysis, represents missed opportunities for identifying systemic problems in policy, law, regulation or process. Exit from Stage 7, system change, represents missed opportunities for changing organizational management, structure, or process in response to the environmental feedback identified in Stage 6. The consequences of the latter two actions are organizational adaptation or decreased accountability and responsiveness.

The data from this study are a part of over a decade of work with utility-related complaints perceived by consumers in Pennsylvania. We know that those complaints that reach the utility commission are reflective of more that exist. For years, the utility commission in Pennsylvania has tracked complaint rates, taking action with utility companies based on investigation following analysis (Alexander 1986; Hyman 1987). Monitoring of complaint rates following action appears to demonstrate the utility of the hypothesis: declines tend to occur when companies take corrective action. Alexander (1986) demonstrates this phenomenon in an examination of five case studies. Ritti and Silver (1986) also address the Pennsylvania process of establishing new "rules of the game" for public utility operations.

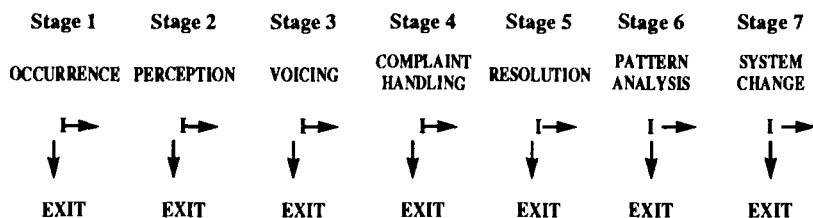


Figure 5. Expanded Model of the Consumer Problem-Solving Process

We are *not* talking about complaint tracking simply as a way to improve consumer operations units, as would be the response of those using the organizational aberration perspective (although that may occur). *We are talking about complaint tracking as a source of strategic intelligence about aspects of the entire system as envisioned by the systemic pattern theory.* The use of consumer complaints as problem and organizational indicators promises to thrust consumer affairs directly into the organizational policy and decision-making arena. From this perspective, the ideas examined herein apply and individual complaints take on a meaning far beyond their immediate content. Each complaint which contributes to the aggregate may carry messages about broader patterns which exist in the environment. Complaints may be reflective not just of specific situations, but of product, service, and operations in general. From this perspective, the "tip-of-the-iceberg" principle may allow complaint-handling operations to serve both early-warning and fail-safe functions. We believe it behooves those in positions of responsibility to take note and to take action. Safer, more effective, high quality service and accountable operations are the result.

## NOTES

1. We can also conceptualize situations where complaints are imagined, unjustified, or contrived, which could lead to a situation where the universe of complaints is larger than the universe of problems.

2. This perspective does not assert the converse, that the complaints that reach a third-party are representative of all types of complaints in the population. It does assert that for each complaint *that reaches a third-party there are probably others of that type in the broader population.*

3. The occurrence of problems, Stage 1, is practically impossible to document quantitatively. It would require either continuous observation of respondents for an extended period of time, or extensive personal diaries. Thus, *perception* becomes the most feasible point at which to begin analysis.

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