

# Social media complaints can be alternative to market discipline, study shows

March 2 2017

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Nothing inspires consumer frustration quite like an airline flight delay. Researchers from the University of Toronto's Rotman School of Management have used those meltdown moments – and the complaints they produce via the social media platform Twitter – to study how consumer "voice" may influence business behaviour.

"We thought [complaints](#) were an important part of the economy but, until now, we haven't had a systematic way to measure them," says study co-author Mara Lederman, an associate professor of [strategic management](#) at Rotman.

The accepted idea among economists is that markets act to discipline companies for poor performance as consumers will withdraw their business if they are not happy. Complaining – as opposed to switching – has been suggested as an alternate mechanism but, to date, has received much less attention.

The public nature of [social media](#), however, now makes it possible to track consumer complaints, the market circumstances under which they're made and how companies respond. This opens the door for studies that examine the purpose and impact of customer voice.

Not surprisingly, the researchers found that passenger complaints via Twitter increase when an airline's "on-time" performance worsened. This was based on an analysis of approximately four million Tweets made to or about the top seven American airlines over a two-year period.

What was more interesting is that the same deterioration in on-time performance generated about 50 percent more complaints when the airline was the dominant carrier in the passenger's local market. Airlines also responded more often when competition was limited and when the passenger mentioned the airline's loyalty program in their tweet.

These findings suggest that companies in low competition markets may have the most to lose from ticked-off customers because these customers generate high margins yet have the ability to go elsewhere if they are not happy, says Prof. Lederman. The same goes for customers who are invested in a company's loyalty program— these are the very customers that are costly for the company to lose.

"In markets where you don't have a lot of competition, but you have some, voice might be effective because this is precisely when companies will care to retain customers who have been made unhappy," she says.

Prof. Lederman carried out the study with fellow Rotman researchers Joshua Gans, a professor of strategic management and Avi Goldfarb, a professor of marketing.

Their results suggest using social media to complain can be worthwhile, so long as a company values the customer enough to respond and offer some incentive for them to stay (whether monetary or simply a promise to do better in the future). Companies, meanwhile, may want to consider setting up dedicated complaint channels as a way of retaining valuable customers who might be at risk of leaving, says Prof. Lederman.

**More information:** Gans, Joshua S. and Goldfarb, Avi and Lederman, Mara. Exit, Tweets, and Loyalty (December 23, 2016).

[dx.doi.org/10.2139/ssrn.2889388](https://dx.doi.org/10.2139/ssrn.2889388)

Provided by University of Toronto

Citation: Social media complaints can be alternative to market discipline, study shows (2017, March 2) retrieved 10 July 2024 from <https://phys.org/news/2017-03-social-media-complaints-alternative-discipline.html>

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