

# REDRESS PROCEDURES EXPECTED BY CONSUMERS DURING AN B2C E-COMMERCE DISPUTE

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## ABSTRACT

Redress is concerned with internal complaint-handling procedures through which consumers seek compensation or to rectify the problems that occur during e-commerce transactions. It also serves as an important determinant of consumer confidence and trust. Studies of redress have received much attention, where the focus is largely in the context of traditional litigation procedures in offline business. This paper focuses on the types of redress procedures consumers expected in response to B2C e-commerce complaints, by analysing the experiences and viewpoint of a select group of online consumers and merchants located in Melbourne, Australia. The research reveals that when problems occur in B2C e-commerce transactions, consumers require and expect an immediate accessible and responsive redress procedure from merchants. This suggests that traditional litigation to seek redress is impractical and not a favourable option for consumers or merchants.

**Keywords:** B2C e-commerce; complaint handling procedures; consumer complaints; merchant redress; online business; non-positivist research; politics, law and economy; qualitative methods; redress procedures; trust

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## 1. INTRODUCTION

E-commerce is not entirely risk-free because not all online merchants are honest and professional, and mistakes can happen (Cooper et al. 2011). From the consumer perspective, this risk is largely present because goods cannot be physically inspected before full payment is made and because there is a waiting period before the goods are delivered. Consumers have to trust that the merchant will dispatch the product as soon as payment is received. It is therefore important that merchants seek to prevent problems from occurring; but if they do occur, they need to be resolved immediately, particularly as consumers become sceptical about e-commerce if they are not confident that any problems they encounter will be quickly resolved (Del Duca et al. 2011).

In e-commerce complaints take on greater importance than in other types of commerce. Consumers believe that it is harder to have their complaints addressed when merchants are located internationally (ECC-Net 2014, Econsumer.gov 2015). Consequently, many consumers are anxious about engaging in cross-border e-commerce transactions because they lack confidence in existing means of redress (Cho 2004, Gefen and Heart 2008). *Redress* is defined as a response outcome that a business provides to address a consumer complaint (Davidow 2000, 2003).<sup>1</sup>

To date, studies of redress have focused on the role of traditional court litigation and *online dispute resolution* (ODR) in enabling consumers to get access to justice through small claims courts and the services of lawyers or online intermediaries (Stylianou 2008). However, e-commerce transactions do not map neatly onto the jurisdiction of any existing sovereign entity, and this issue has rendered territorial disputes problematic more often than for traditional business transactions. So territory-based laws grounded in arbitrary borders are inappropriate for dealing with e-commerce complaints (Gillies 2007).

The literature on redress highlights two primary motivations for undertaking a fresh investigation of the redress procedures consumers expect in response to B2C e-commerce complaints. First, existing studies on redress are few as a positivist approach has been unable to uncover the deeper issues identified while employing interpretivist methods allows uncovering the real issues that emerge (Strauss and Corbin 1998).

Second, growth of online consumers and new markets requires understanding of B2C e-commerce complaints support, and attention to consumer expectations. We still know little about consumers' perceptions and behaviours when making an online complaint, or why they decide to seek redress.

We examine different types of redress procedures consumers expect in response to B2C e-commerce complaints. We focus on the views of online consumers and merchants located in Melbourne, Australia. The importance of this study is in providing insight to online merchants that enables them to better understand how to handle redress in their online business. The paper is structured as follows. First, redress is defined. Then, a discussion is presented on the importance of redress and related policies, followed by a consideration of the reasons why traditional litigation and cross-border disputes are complex, and a discussion of redress in the Australian context. Subsequently, we outline the methodology and various aspects of the data collection and analysis, followed by a presentation of the research findings and, finally, the discussion and conclusion section.

## **2. DEFINITION OF REDRESS**

In traditional business, *redress* refers to the process of dealing with post-purchase complaints via some form of compensation (Davidow 2003). Hogarth and English (2002) describe redress as providing consumers with the right to express their dissatisfaction and have their complaints heard, and to receive an explanation and some form of compensation.

Redress also is a form of compensation that includes refunds, replacements or discounts, provided by businesses to complainants. Redress can take the form of tangible compensation such as cash equivalent remuneration, or an intangible response outcome like psychological compensation. For example, social loss (e.g., the loss of 'face' or self-esteem) can be compensated by an apology, which helps restore social equity and self-esteem (Gelbrich and Roschk 2010, Hess et al. 2003).

From the consumer's perspective, redress is also essential as it ensures that merchants fulfil their promises and thereby reduces consumer dissatisfaction resulting from a problem (Jasper and Waldhart 2013), as not all consumers are interested solely in receiving compensation. Various existing guarantees in

the retail business context promise to rectify any problems, as opposed to providing dissatisfied consumers with a full refund. Failure to fix the problem following a consumer complaint can result in a ‘double deviation’ scenario whereby consumers’ initial negative evaluation is heightened (Robertson et al. 2012).

### **2.1. Redress in B2C E-Commerce**

Redress takes on greater importance in the B2C e-commerce scenario than in conventional B2C commerce. Over the years, scholars (e.g., Bakos 1991, Deighton and Kornfeld 2009, Kozinets 1999, Shipman 2001) have identified the emergence of a new kind of consumer and business relationship as a result of the advent of the Internet, in part due to a shift of power from merchant to consumer. The Internet has led to increased bargaining power for consumers, greater transparency, lower transaction costs, and more shopping options (Kucuk and Krishnamurthy 2007). Today, consumers who are normally reluctant to complain directly to merchants have more opportunity to do so. The Internet is an easy and accessible forum for consumers to air their complaints and express themselves in a way that potentially sends a message to a worldwide audience (Lee and Cude 2012, Ward and Ostram 2006). Even what merchants might consider to be minor and inconsequential service failures can result in complaints being posted on online forums and social media sites. This makes redress procedures crucial for B2C e-commerce.

Ha and Coghill (2008) define redress in B2C e-commerce as a process that offers consumers access to internal complaint-handling procedures and services to resolve disputes and problems that occur during online shopping. This definition is adopted in the present research.

### **2.2. How Redress Works**

Redress is concerned with the procedures through which individuals seek remedies or responses to their grievances (Gauri 2013, Hodges 2012). An effective redress procedure supports the accountability that underpins merchants’ efforts to promote and offer fair and trustworthy complaint-handling procedures (Edwards 2007b 2007b; Van Heerden and Barnard 2011). It also acts as a sanction that reduces the negative impact of untrustworthy and deviant behaviour through compensation (Calliess 2006).

Redress is a key factor influencing perceptions of e-commerce as based on benevolence and integrity (Wu and Chang 2006). In relation to benevolence, redress reflects the ability of a merchant to hold

consumers' interests ahead of his/her own self-interest, and to honour promises rather than focusing on self-serving profit motives (Salo and Karjaluoto 2007). Redress raises consumer confidence that a merchant will adhere to a set of principles and policies governing e-commerce transactions (Palvia 2009).

Redress represents explicit promises made by merchants to deliver a certain level of service to satisfy consumers and remunerate them if the service fails (Björlin Lidén and Skålén 2003, Hogreve and Gremler 2009, McColl et al. 2005). Consequently, redress actions by merchants have a significant influence on consumer attitudes towards complaining and complaint behaviours. It is important for merchants to provide consumers with the opportunity to voice their complaints (Robertson 2012), because consumers have high expectations of the merchant when they decide to complain (Wilson et al. 2012). Transaction failures can lead to dissatisfaction, negative word-of-mouth, anger and resentment by consumers, who may switch to competitors, or even retaliate (Bateson and Hoffman 2010, Tsarenko and Tojib 2011). Redress efforts should be strong and effective, thereby providing an adequate gain to cover the loss (Petzer et al. 2014). Thus, merchants must develop strategies to deliver redress response efforts to increase or restore consumer satisfaction, and re-establish and retain the consumer relationship.

### **2.3. Why Redress Policies Are Necessary**

Generally, consumers are treated fairly in business transactions when they can access sufficient information on merchants' products, services, terms and policies. In the offline market, consumers can get such information through various channels. However, the excess or lacking information on the Internet makes it difficult for consumers to make good decisions (Glenn et al. 2007).

At a minimum, merchants must make all relevant information available to help consumers make informed decisions by assessing both the benefits and risks before entering into a particular transaction. Having access to such detail enables the consumer to decide whether to enter the contract and to know what to expect. In this way, unnecessary disappointments and disputes can be avoided (Svantesson and Clarke 2013). In e-commerce, consumers are particularly dependent on appropriate information being provided, and such information acts as a substitute for the real life 'touch and feel.' Thus, legal regulation requiring businesses to provide detailed information such as on their products, sales processes and redress policies is

not prohibitively onerous for the business (Svantesson and Clarke 2013).

Regardless of the existence of redress policies, however, past research studies have shown that few consumers take the time to read merchants' policies when entering into contracts online. For example, a majority of the respondents in our research indicated that they never read the whole agreement when they enter into an online agreement. Consumers also did not believe that they were entering into a legally binding contract when doing so (Gindin 2009, Mann and Siebneicher 2008). However, this should not be seen as an indication that merchants need not provide their consumers with the terms of the contract and their policies on redress. Instead, as highlighted by consumers, merchants must be required to provide easily accessible information about their policies, and the law must be structured in a way that ensures consumers' legitimate expectations of protection are met (Svantesson and Clarke 2013). This further highlights the need to understand why redress is necessary in B2C e-commerce scenario.

Finally, redress in B2C e-commerce is particularly important for the following two reasons: traditional litigation processes are unsuitable in the case of e-commerce, and cross-border consumer disputation can be complicated. These two aspects are discussed in turn below.

### **3. TRADITIONAL LITIGATION IS UNSUITABLE**

In B2C e-commerce, international disputes often occur around low-value individual transactions yet are generally more complex than disputes concerning offline transactions. International disputes may also involve additional issues, related, for example, to the law, the distance between parties or their different expectations (Cortés and de la Rosa 2013). In B2B e-commerce transactions, the value of disputes justifies the time and costs involved in engaging in the judicial process; whereas the traditional court processes of dispute settlement are not always the best option for B2C e-commerce disputes. The expense and time involved in traditional litigation are discouraging factors for consumers (Cortés 2013), and is especially true for B2C e-commerce transactions across borders that can entail jurisdictional issues.

Issues of consumer protection are of greater concern with online transactions than in offline dealings. In the latter consumers are more aware of their legal rights and how these may be enforced through

traditional legal means (Hörnle 2012). In contrast, B2C e-commerce is still evolving and courts do not follow the same thinking when dealing with online disputes. The issues are further confused for merchants and consumers due to the potential for different interpretations by courts, and the fact that parties may be physically based in different locations (Cortés 2013, Hassan et al. 2012). The preliminary difficulty around the resolution of disputes in all e-commerce transactions is the problem of jurisdiction: which court is competent to hear the case?

As Internet technologies continue to change global commerce, many questions remain unanswered. For instance, if an e-commerce dispute is not to be subjected to the rules of the physical world, then what new rules are required to address such disputes? Who has the authority to make these new rules and decide how they should be implemented? In addition, who will enforce those rules (Cooper et al. 2011)? There are no easy answers to these questions. Indeed, they have been debated for decades by scholars, international organisations and policymakers, and in many respects we are no closer to definitive answers. Moreover, the pace of technological change has made the need for answers to these questions more pressing as the problems become increasingly complex.

The issues around litigation diminish consumer confidence in online shopping, often leading consumers to choose well-known, local businesses over online businesses (Majoras 2006). Therefore, consumers will engage in online shopping only when they are assured that adequate redress will be offered and when the potential gain from online shopping exceeds the level of risks they face (Ha 2011). Yet merchants may be reluctant to offer redress services on their website in case their customers interpret this to mean that disputes arise often with that particular merchant. In this regard, legal regulation that requires businesses to provide detailed information helps to avoid unnecessary disappointments, and subsequent disputes with online consumers (Svantesson and Clarke 2013). For example, in the case of eBay, research has shown that well-designed redress processes encourage a sense of fairness in the marketplace, which in turn increases the trust of those who benefit from the outcomes. eBay has found that the number of satisfied users who have had disputes resolved efficiently is greater than those users who did not during the same period, suggesting that users' confidence in the fairness of the e-commerce marketplace is enhanced by their experience

of redress (Cortés and de la Rosa 2013).

The 21<sup>st</sup> century is already seeing a shift in international consumer law, which is changing the priorities of policy-makers. Their focus is no longer on guaranteeing the protection of consumers by means of national courts and laws, but on promoting redress procedures that provide tangible redress for consumers (Cortés and de la Rosa 2013). Clearly the existing traditional litigation is too specific and not applicable for dealing with international disputes arising out of B2C e-commerce. Therefore, it is only a question of time before redress changes the way we engage in B2C e-commerce and widens the parameters of cross-border online shopping.

#### **4. CROSS-BORDER E-COMMERCE DISPUTATION IS COMPLICATED**

The global nature of the Internet means that geographical boundaries are irrelevant in e-commerce transactions. Johnson and Post (1996), in a 1996 *Stanford Law Review* article, stated that the rise of a global computer network would destroy the link between geographical location and its ability to establish applicable jurisdictions. The Internet radically subverts the system of rulemaking that is based on borders between physical spaces (Haloush 2008). Therefore, even when judgment is obtained in one country, it may be unfeasible to enforce it on assets in another country (Turel and Yuan 2010).

The complex and costly procedures developed under private international law at a time when cross-border B2C e-commerce transactions were still exceptions to the rule of domestic interactions are generally unproductive. The problem is not merely a quantitative one stemming from the high number of cross-border B2C e-commerce transactions. It is also a qualitative one, since such transactions may potentially involve multiple countries, all of which may have legitimate jurisdictional claims (Patrikios 2008). Applying the traditional localisation principles of private international law to B2C e-commerce disputes is problematic. Either they point to every country with which a transaction has connections, or indeed any country in the world where the website is visible; or the identified law or jurisdiction is fortuitous, and has no obvious connection with the parties or substantive transaction (Patrikios 2008).

The flexibility and availability of B2C e-commerce transactions, such that every transaction is



available from anywhere in the world, often renders localisation in the context of e-commerce transactions a meaningless concept (Maier 2010). Due to the complexity of disputes in cross-border B2C e-commerce transactions, potential involvement of various international laws by different jurisdictions and the lack of updated and applicable consumer law for e-commerce, the need for an effective complaint-handling procedure becomes critical. Since this study is based in Australia the next section briefly discusses redress processes and litigation in the Australian context.

## 5. REDRESS IN THE AUSTRALIAN CONTEXT

In Australia, the consumer complaint resolution framework involves three stages: (i) settlement between consumers and merchants, (ii) settlement via a third party, and (iii) settlement via an independent ombudsman or court. If consumers are not happy with an online purchase, they can complain to merchants who address the problem via their internal complaint resolution processes. If the problem is not resolved via this first stage, consumers can employ *alternative dispute resolution* (ADR) schemes or *online dispute resolution* (ODR) by external parties. ADR or ODR can provide users with cheap, expedient and effective solutions and help to avoid recourse to the legal system (Ha and Coghill 2005). The Australian Competition and Consumer Commission (ACCC) provides consumers and merchants with dispute resolution before they engage in litigation. The Australian National Alternative Dispute Resolution Advisory Council, a government-linked agency, also helps consumers with such disputes (Ha 2005).

Finally, if consumers are not satisfied with the outcome of an ADR procedure, they can seek legal action through small claims courts or independent ombudsman (Nottage 2010, Richards et al. 2012). Theoretically, this process is simple and accessible. Yet, in reality, the redress resolution framework offered in Australia has never been easy to negotiate and can be very time consuming. For example, the ACCC – the relevant government agency responsible for protecting consumer interests – has demonstrated reluctance to deal with cross-border disputes (Svantesson and Clarke 2013). However, it is essential that consumers have a viable avenue for pursuing legal action as the existence of such avenues puts pressure on merchants not to ignore consumer complaints. To be effective, a protection scheme must ensure that the consumer in an e-

commerce transaction can take legal action in her country of residence. There may be a departure from this where the consumer has actively and consciously misled the business on the matter or where the consumer is located outside their country of habitual residence and, while entering into the transaction, specifically identified their actual location at the time of the transaction. In such cases, the consumer may reasonably be limited to take action at that location (Svantesson and Clarke 2010).

So far, we have provided an overview of redress and its various aspects. Our aim is to provide insight into consumers' experiences of redress procedures in a B2C e-commerce scenario to enable e-businesses and policy-makers to better understand consumer expectations of redress in an online environment. For this purpose, we identified the *grounded theory approach* as a suitable methodology.

## **6. RESEARCH METHODOLOGY**

Our study employed qualitative research methodologies using individual, face-to-face interviews followed by focus group discussions. We will explain our use of a qualitative and grounded theory approach in this research, and outline the method of data collection based on the interviews and focus groups. Finally, we will present the data analysis technique proposed by Strauss and Corbin (1998).

### **6.1. The Qualitative Approach and Grounded Theory**

Given the scarcity of research on consumers' experiences of redress procedures in online shopping, we used qualitative data collection and analysis methods as a means of developing a detailed description of the types of redress procedures expected by consumers in response to B2C e-commerce complaints. The aim of our study was not to generalize findings to the population, but to obtain insight into the experiences of the interviewees in their own words (Kim et al. 2009). Since our aim was to explore insights on redress procedures rather than to prove theory deductively, our decision to employ qualitative data collection and analysis was justified. The method of grounded theory is helpful for understanding processes people use to cope with, respond to or alter their environment (Miles and Huberman 1994).

*Grounded theory* uses a systematic set of processes to develop an inductively derived theory or insight about a phenomenon either where theory had not previously been developed or where the extant theory is

judged to be inadequate (Charmaz 2006, Strauss and Corbin 1998, 1990).

Grounded theory starts with choosing the phenomenon to study. In this case, the phenomenon is the type of redress procedure expected by consumers in response to B2C e-commerce complaints. The next step is to choose a setting in which the phenomenon is likely to occur in varying states. The setting for the present research is described in more detail in the sample section. Interviews and focus groups are the primary data collection method used for grounded theory. The use of multiple data sources allows for triangulation in data analysis, which provides more evidence to support new insights. This method requires analysis of data immediately on collection, and subsequent return to sampling for further data collection based on the analytical findings. Data analysis is repeated at each stage of the data collection, and the emergent findings are organized into themes, which are then integrated into theory or descriptive understanding of a phenomenon (Swan 1985). Detailed descriptions of the procedures adopted in the present research are provided in the following sections (Golicic et al. 2002).

Our research draws on the theories of Eisenhardt (1989) in answering the question of whether the application of a grounded theory approach provides better research outcomes than a more conventional method. First, the phenomenon under investigation in the present study – redress in B2C e-commerce – has only received limited attention in the literature as redress is most often considered in the offline business context.<sup>2</sup> Therefore, it was easy to follow the injunction of grounded theory not to be overly influenced by the literature in the field, as there was no body of work to follow on the subject. Second, the paucity of the literature also implied that exploratory, descriptive research requiring an inductive approach would be appropriate. Third, since the research problem was consumers' experiences of redress procedures in online shopping, grounded theory is suitable for generating a descriptive understanding of how consumers respond and what consumers expect from redress when experiencing disputes in online shopping. This allowed the researchers to gain an insight into an under developed research subject.

## **6.2. Data Collection**

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<sup>2</sup> As the Editor in Chief noted in Footnote 1 in this article, the first author's own research work has focused on these issues for some time now, and should be carefully read by others who are interested in the issues in this space to obtain the full picture

Data collection was undertaken with two groups of participants: online consumers and online merchants based in Melbourne, Australia, where the researcher is located. Consumers are individuals who purchase products through the Internet (Weitz et al. 2001), while merchants sell goods and services directly to the end consumers via the Internet (Davis and Benamati 2003). We used a combination of individual interviews and focus groups. There were 30 interviews with online consumers and 6 interviews with online merchants, as well as 2 online consumer focus groups conducted within the timeline of the research. The strength of individual views was tested through exposure to alternative perspectives in a natural way, uncovering new insights (Morgan 1998) as our main source of data. As is often the case with focus group discussions, mine enabled multiple, divergent views to shift towards a single view shared by the group as a result of social influences (Williamson 2002). All of the interviews were semi-structured, allowing new issues to emerge for exploration.

A combination of convenience, purposive and snowball sampling was employed in this research. All of the participants who fulfilled the selection criteria for participation in the research were identified and selected based on their ability to directly contribute to the research goal. Consumer participants had to have extensive experience in online shopping – for example, they had to have purchased at least ten physical items online locally and internationally in the previous 12 months, and spent an average of per transaction between AUD50 to 200 on each transaction, and to have experience shopping online of an average 6 years. Merchant participants had to have at least five years' experience in conducting online business locally and internationally, an average of 50 sales transactions per week, and average sales per transaction of between AUD50 and AUD200. The key search criterion was that the participants had previously made a complaint and engaged in a redress process. It was important that the participants had direct experience of such a process rather than simply basing their responses on what they have heard (Breakwell et al. 1994). This approach enabled the study to answer the research question, and to undertake a detailed exploration (Neuman 2006) of redress issues in the context of B2C e-commerce. This is an important research approach because the quality of data is a reflection of the experience, knowledge and interest of the participants recruited.

### **6.2.1. Interview Process**

In Phase 1, individual, face-to-face interviews with online consumers and merchants were conducted. The first section of the interview consisted of factual questions aimed at capturing the consumers' experience and background. These questions, framed as empirical questions, raised issues concerning matters of fact (King 1994). The second section of the interview consisted of composite measurement questions that focused on more complex matters (Sapsford and Jupp 2006), such as opinions, personality traits and consumer awareness. These themes also applied to the merchant interview questions. This approach was aimed at understanding the merchants' attentiveness to complaints and their perspectives on redress. The interview questions were not designed to deliberately or directly expose issues related to redress in B2C e-commerce. Rather, these issues were left for the interviewees to consider and discuss and this is used to reduce bias in the data obtained.

The interviews typically lasted 60 minutes. The responses were recorded and notes were taken during the interviews. The questions were signed and a consensus for follow up was reached at the end of each interview. The responses were transcribed, checked and edited. The transcript was sent to each interviewee, who was asked to confirm and amend it accordingly.

During data collection, even though the aim was to get close to the situation being explored, the researchers had to periodically step back in order to maintain objectivity and not to introduce bias (Strauss and Corbin 1998). This is referred to as "manufacturing distance" from the research (McCracken 1988). The researchers involved in the present study have research backgrounds in e-commerce, redress in online and offline business, and consumer disputes, and bringing their knowledge and experience to the study was important in order to provide theoretical sensitivity. However, there must be a balance between what has been explored prior to data collection and restraining that knowledge to ensure that the theory or insight comes from and is grounded in the data (Strauss and Corbin 1998).

### **6.2.2. Focus Groups**

In Phase 2, two focus groups were conducted to evaluate, follow up and confirm the findings that emerged from the interviews (Kathwolk 1998) and to provide a rich interpretation of ordinary events in

turn to develop a convincing picture of the real situation (Miles and Huberman 2002). The researchers followed the principles suggested by Litosseliti (2003) in developing the focus group questions. First, interview questions should be carefully developed and sequenced in order to generate in-depth discussions. For example, questions were generated based on the findings from the interviews. Second, questions should be clarified by referring to the research topics, and complemented by further probing during the interviews. Third, general, simple and unstructured questions should begin the discussion, before moving to more complex, specific and/or controversial ones.

As stated above, to meet the criteria for participation, the participants had to have previous experience in online shopping. This ensured that they had an understanding of the issues involved, especially redress. Such a purposeful selected sample will mean that participants will have a strong opinion on the topic and be more likely to be concerned about and motivated to discuss the topic, and that the sample will be likely to contain more experts than would a broader sample with shallow opinion.

In the first group, 12 potential participants were approached in person but only six participants met the criteria and took part. In the second focus group, 15 potential participants were approached but only six met the criteria. The discussions typically lasted 60 minutes and the responses were recorded, transcribed, checked and edited. The transcript was then sent to each focus group participant, who was asked to confirm and amend the record accordingly.

### **6.3. Data Analysis**

Data collected from the interviews and focus groups were analysed based on the coding technique proposed by Strauss and Corbin (1998). Under their schema, the three coding stages are open coding (coding), axial coding (categories), and selective coding (themes), which are used to rearrange the qualitative data into categories in order to observe any emerging patterns.

#### **6.3.1. Coding**

The transcripts were analysed line by line to identify key words, sentences or phrases uttered by the interviewees. This procedure was aimed at capturing an in-depth understanding of what and how the interviewees were saying (Strauss and Corbin 1998, 1990). The objective was to comprehend how the

interviewees interpreted certain events they had experienced in relation to online complaints. The development of coding systems was framed around a set of questions, including: What are these data pertinent to? What do they indicate? What is this? Who are involved?

When concepts became apparent, a code or name was assigned that represented the discrete concerns or events to emerge from the analysis. In the coding process, conceptualizing was the first step in building the descriptive understanding and a concept was a labelled phenomenon. Each code is an abstract representation of an event or objects that were found to be significant in the transcript. In this analysis, the aim was to group similar events related in meaning under a higher order or more abstract concept name as categories. Thus, the ‘categories are concepts that stand for phenomenon’ (Strauss and Corbin 1998, p. 101).

### **6.3.2. Categories**

The categorization process was intended to sort and organize large amounts of data (abstract concepts) that were fractured during the coding process and to reassemble the concepts to enable more complete explanations of the phenomenon being examined (Creswell 2007, Strauss and Corbin 1998). This involved the grouping of a number of concepts that had been brought together through the process of comparison of the data. For example, it was necessary to create new categories or to merge others that related to the same idea. This led to the identification of patterns, which enabled the development of a core theme that effectively transformed the data into a holistic explanation of the experience under study. Forming new composite categories through this shift to a higher conceptual plan allowed for greater explanation and understanding. Via this process, the data were reassembled in new ways following the coding process, as the researcher sought to make connections between the categories that formed the themes.

### **6.3.3. Themes**

The links between categories were re-evaluated, examined, refined and reintegrated in order to identify their interrelationships. Because the categories were merely descriptions of the data (concepts), they were gradually subsumed into underlying core theme(s). Once core themes were identified, the relationships among the themes were defined and explored (Coleman and O’Connor 2007). These core themes acted as the hub for all other identified categories – connecting together all the strands in order to explain the

behaviour under study. These core themes sum up a pattern of behaviour and the substance of what is going on as conveyed by the data. In which a “story line” is identified and this story line was the final conceptualization of the core themes. The analysis was complete once the relationships between the core themes produced an explanation for the phenomenon.

Data collection continues until the researcher reaches a state of saturation of themes, which is reliant on the data collection, coding and analysis reaching a state of completeness both within and across contexts (Goulding 2002). For instance, once several incidents are coded into a single category, it becomes easier to identify whether subsequent incidents in the same category are illuminating new aspects of the category. If so, categories are not yet saturated and require further data collection, coding and analysis; if not, the category has reached the point of saturation.

#### **6.4. Quality of Grounded Theory Results**

First, in order to ensure that the phenomenon under investigation was accurately identified and delineated, the participants in the study guided the inquiry process, meaning that the codes used to represent the information were effectively introduced by the participants. These primary codes reflect the language used by the participants so that the results of the analysis could remain as close to the primary data as possible. Second, the use of the participants’ own language at all levels of coding added credibility to the findings. For example, each word, relationship and action was supported with excerpts from the transcription (Wilson and Hutchinson 1991).

By presenting the evidence through this research methodology and the data analysis, this study will ‘let the research findings speak for themselves’ (Strauss and Corbin 1998 p. 305).

### **7. FINDINGS**

Analysis of the interviews and focus groups enabled the identification of the themes outlined below, which characterise the participants’ experiences with and understanding of redress procedures in B2C e-commerce.

#### **7.1. Consumer Interviews: Accessible and Responsive Complaint Handling**



Accessible and effective complaint handling involves procedures that can be easily and conveniently accessed by consumers. Such procedures should enable consumers to communicate their problems and seek appropriate compensation. Consumers shared their experiences and views concerning reliable and satisfactory complaint resolution, uncomplicated and easy recompense procedures, and merchant accountability in relation to problem solving.

The consumers in our research felt that a process for making complaints and an established transaction policy should always be in place and accessible. For example, when a problem emerges, an adequate amount of compensation must be provided and the problem must be resolved effectively. Consumers asserted that merchants should be ready to hold themselves accountable and be responsive to any complaints received. Consumer 10 chose to purchase online from Amazon.com, *'because of their fast and accessible refund and return policy was ready to serve customers and to rectify the problems immediately ... and of course that gives me the confidence.'*

Consumers claimed that if the loss involved were insignificant and adequate compensation were provided, they would be confident to repeat purchase from the same merchant. Consumers accepted that mistakes and human error do occur. Hence, genuine mistakes were not going to stop the consumer participants from engaging in online shopping, so long as merchants act responsively and treat their mistakes as an opportunity for improvement. As Consumer 12 observed:

*Because organizations might have large numbers of orders and they can't get every order correct, I will come back ... if you sent me a faulty product and you can go through the whole process and refund my money, yes, you got my trust and I will do business with you again.*

Consumers also discussed at length the importance of an uncomplicated and transparent redress procedure. They had learned from their previous shopping experiences that a transparent redress policy is one that is easy to access and follow. Consumers further claimed this was also perceived as a well-established policy. As Consumer 22 related:

*At least well-established and clearly spelled out policies ... will give me confidence because these policies presenting what they [merchants] are doing and what they [merchants] will do if you are not happy with the purchase and that is a kind of trustworthiness and confidence because the terms and conditions are clear.*

Consumers agreed that such a procedure also helps to build their confidence and trust, insofar as a trustworthy merchant establishes a simple and accessible redress procedure to deliver a satisfactory online complaint-handling experience. Consumers added that, when complaint procedures are made available, it shows that the merchants will honour it. The frustrating experience of dealing with a complaint procedure that is confusing, long and difficult to access can be avoided. For example, Consumer 15 commented:

*If the item is lost, I think the return and refund policy should also encompass that. Like, if the item is lost or damaged, the seller should do the return and refund for you and that would establish trust for me because then I would be encouraged to buy from the seller.*

Another viewpoint shared by the participants was that they should have access to a multi-channel complaint procedure that allows them to launch a complaint in whatever manner best suits them. This would mean consumers would not need to communicate their complaint to several different departments and would not receive any ‘throwback,’ which is unnecessary and potentially makes the problem worse.

A lack of responsive complaint handling was a concern raised. Consumers mentioned that, when initiating a complaint, they expect an answer to be offered immediately. When this was not the case, consumers became frustrated and impatient; for example, sending a complaint via email was often not effective because no one at the receiving end was regularly checking their email. In this regard, an easy-to-access complaint-handling procedure along with responsive action helps to reduce consumer anxiety. Consumers related that this was just as important as it was in connection to offline shopping because in a physical store consumers have no difficulty obtaining a responsive answer from merchants:

*You try to settle everything on the spot because leaving the consumers to spend the extra time to think and feel worried is very bad for the business. When something has happened, the longer you wait, the angrier you get. (Consumer 1)*

Consumer 5 claimed that her trust is solely dependent on how effectively and accountably a problem is handled. She stated, “*If you have spent too much time and also several unhappy communications to solve this problem, even finally this problem solved but that will cost a negative impression.*” Consumer 5 added that seeing the merchant’s policy does not prove anything, until accessible complaint-handling procedures are made available and the merchant is responsive to the complaints made.

Consumer 3 recalled that, whenever he had faced a problem, he had responded calmly and confidently

because the merchant was proactive in solving and following up the problem. Consumer 19 raised another perspective, when he commented that, while some irresponsible merchants were ignorant of their mistakes, his experience with a complaint was the result of an unavoidable incident. He stated, *“I bought a pair of shoes from the NBA official website and they shipped me a wrong product. As you can imagine any website could also make this common mistake. I informed them about the mistake and shipped back the shoes and they refunded my money within a week.”* In contrast, only a small number of merchants who offered an accessible and effective complaint-handling process addressed their own mistakes in a timely manner.

## **7.2. Merchant Interviews: Accessible Recompense Practice**

The merchants interviewed believed that accessible recompense practice is an important part of redress that needs to be followed when problems occur. This practice is defined as procedures that are convenient and can be easily accessed by consumers who wish to make a complaint and seek compensation, and includes accessible contact details and a simple refund and return policy.

Accessible communications through various channels were seen by merchants as an essential support service for consumers wishing to make a complaint, whether by phone, email or some other means, such as physical address, social media or online forums that allow consumers to communicate with the merchants. Merchants claimed that it is important to have an open attitude and be approachable such that consumers are welcome to communicate about a problem at any time, because this was perceived to be part of a business's responsibility to offer redress support. The merchant participants agreed that it is bad for business when consumers, already disappointed with their purchase, are further frustrated by being unable to communicate their problems with the merchant. In such cases, it is highly likely that consumers will never return to the merchants in question because they have been made to feel vulnerable in being unable to seek redress. In this regard, Merchant 4 noted:

*You definitely need those contact options and you need to respond promptly, or message service, whatever. Otherwise when someone calls up and they can't get through then ... basically is like you were dealing with someone in the garage and that was not going to impress consumers.*

Merchants 1 and 6 suggested that, to make online business trustworthy, merchants must be prepared

to engage in face-to-face conversation if that is what consumers want. Merchant 1 provided her full business contact details on her homepage, including her physical address and Google map directions. She believed that all that information adds up to make her online business trustworthy to consumers. Merchant 6 followed the same practice. He believed that offering a physical contact was crucial to act as a last point of communication, especially when problems occur. Doing so presents an opportunity for merchants to demonstrate their accountability to consumers. Merchant 1 said: ‘I think it is as simple as having a channel through which the consumers can speak to you ... you just have to give people the confidence that if they call or email there will be a response from someone (i.e. merchant or customer service).’

To have redress procedures in place is great; but it is better if the refund and return policy has the flexibility to cope with any unexpected issues related to redress. The merchants believed that online sellers must of course try to maximise the effectiveness of their business operations. In this regard, these participants felt that, because risks exist and mistakes happen, when consumers ask for an immediate refund, merchants must be sufficiently flexible to accommodate such requests. Merchant 1 noted: ‘*If consumers received something completely different to what they are expecting then we could obviously arrange an exchange for them and that is very simple. If something that is damaged in transit we can also arrange for an exchange.*’

Merchant 5 claimed that a flexible refund policy that deals with all purchasing problems not only allows consumers to benefit from the outcomes but also enables a win-win strategy for the business:

*We allowed them to change their mind ... [if items] are not being opened and played with. We will take it back if they pay the shipping fee to me and I will send the replacement item at my cost back to them so we sort of shared it. I will pay both ways if it is faulty ... if you want to encourage online shopping I think you need to work that is fair for both parties.*

The merchants affirmed that a redress policy should be simple and easy to understand. Very specific, detailed and/or complex policies and procedures will only confuse consumers and perhaps even the merchants themselves. Merchant 2 commented:

*Part of our online policy probably doesn't go into every detail, but really just says the 14 days money back guarantee. So we would definitely make people aware of the policy if they are not. Basically what I am saying is maybe with just a paragraph saying that if your goods are faulty we will replace those.*

The merchants whom we interviewed also agreed that when a consumer purchases a product online the goods must fit the product description. If the product purchased is faulty or does not fit the description, consumers should be entitled to a refund or to lodge a complaint. The merchants stated that a strict and rigid redress policy only causes merchants to lose business and does not benefit anyone because it is impractical to rectify the problem or to find a common solution. Merchant 4 reported: *‘Basically, you bought a note taker and its purpose is to be a note taker and you bought that from my website and you received a toaster. There are some general rules we stick to as far as our return and refund policy.’*

### **7.3. Focus Groups: Responsive and Effective Complaint Handling**

Problems encountered in online shopping do not necessarily lead consumers to lose all confidence in shopping online. Consumers in this research were confident that merchants could regain their trust if a complaint is effectively handled. Consumer 5 in FG1 (Consumer 5, Focus Group 1) shared this:

*There was this comic book merchant that I purchased the book from and they sent me the wrong one. I emailed them a notice and they sent me an extremely prompt reply that also served to reassure me the correct one will be shipped at no cost and I can keep the wrong one. That made me feel very loyal to that vendor.*

This person explained that this merchant had handled his issue responsibly, and with adequate compensation, thus demonstrating their accountability and good intentions. This effective complaint-handling experience helped to reinstate his confidence and satisfaction in online shopping.

Consumer 3 FG1 (Consumer 3, Focus Group 1) agreed. She stated that a responsive and effective complaint procedure can positively influence consumer confidence and trust. She related a personal experience where her youngest daughter mistakenly clicked on her iTunes and made a few purchases. She was shocked to receive two bills of AUD 79.99 and AUD 89.99, which she had not authorised. She submitted a complaint to Apple iTunes and had the payment refunded. She noted:

*When it comes to a multinational company like Apple, they are most likely not going to entertain this problem. But I was replied to within 24 hours with the message, “obviously we do not refund things like this and it is a one off and you are aware now of what had happened so we would advise not putting those apps on your phone and we have credited the amount back to the credit card, and please accept our apology”. Then another email was sent during the following week saying, ‘we just want to follow up whether the money has been refunded and this complaint has been dealt with your expectation.’*

The experiences reported by these consumers show that, when they received immediate resolutions to their complaints, this experience helped them overcome their belief that seeking redress is difficult. The discussions revealed that an immediate redress response and action from the merchant is necessary.

The focus group consumer participants also perceived any merchant who does not take the initiative to address complaints as untrustworthy, and agreed that in such cases they would discourage their peers from buying from that merchant. Consumer 2 FG1 (Consumer 2, Focus Group 1) recounted a bad shopping experience with *cufthing.com* where she complained through several emails, but only received a response a week later and the matter was poorly handled. In another example, she made a purchase of three books from *bookdepository.co.uk*, yet the books never arrived and the merchant refused to compensate her for her loss. She said:

*Yes absolutely! I will tell people under no circumstances ever use them because they're so bad ... I would say cufthing.com because their customer service was absolutely poor. I am sorry but I tell people never to use bookdepository.co.uk because I had nothing except bad experience with them. I [will] never, ever order from them again, ever.*

The consumers in our study also raised concerns about their discouraging redress-seeking experiences; for example, inaccessible and complicated complaint procedures were repeatedly raised across the focus group discussions. Consumers claimed that initiating a complaint cost them more time and money. Consumer 3 FG1 had no confidence that most of the merchants would actually offer adequate complaint support were a problem to occur. Instead, she described negotiating difficult complaint procedures, frequently in the knowledge that the outcome would be unsuccessful. She decided not to take any complaint action in response to the problem occurred and now avoids buying from those merchants.

Consumer 4 FG1 (Consumer 4, Focus Group 1), who had experience with seeking redress on several occasions, had a similar perspective. He believed that complaint procedures had never been made easy for the consumer or actually supported complainants. He explained that his decision to pursue redress was based on the importance of the purchase and its value (or price):

*If it was just minor damage in the product, in the end I think about taking it back and then I don't take it back and it sits there ... even if it is brick and mortar (shopfront), I don't always take it back because there is always the addition of hassle of going there. I am not sure whether there is a difference between online and offline. So it really depends on how*

*much [the product price]. The other thing that I will weigh is, how important is it, to what extent do I think I was stupid to buy it in the first place. (Consumer 4 FG1)*

Sometimes consumers thought about seeking redress but decided not to proceed as they felt that merchants would be unlikely to respond. Consumer 2 FG2 (Consumer 2, Focus Group 2) provided an example of such a situation involving an unimportant purchase:

*I think it depends on the value of the goods purchased. If it is a AUD\$100 dress that doesn't fit me and I know someone else in my family will be able to inherit it, then I will just leave it like that.*

Consumer 1 FG2 (Consumer 1, Focus Group 2) had a similar experience and commented that sometimes it was not worth the time and money to seek redress, in particular because the redress procedures are often too difficult and do not enable consumers to deal with purchase problems effectively. According to Consumer 1 FG2:

*It's just too hard sometimes because you don't have the time to deal with it, because I have to pay for the postage and sometimes that can be 50% of the purchase price. I would say that was a stupid bargain.*

## **8. DISCUSSION**

The data derived and analysed for this study demonstrated that consumers tend not to resort to legal proceedings to seek redress for problems occurring in online shopping. Our findings suggest that when problems occur in B2C e-commerce there is an opportunity to regain consumer trust by offering accessible and responsive redress. It is also evident that consumers are unlikely to completely withdraw from B2C e-commerce, particularly online shopping, and nor do they generally give up seeking redress.

First, when consumers have access to an accessible and responsive redress procedure response to the complaints, there is an opportunity for merchants to pay adequate attention to the problems that have occurred and to demonstrate their care for consumers. The consumers who participated in our study considered an accessible and responsive redress procedure to be the most important form of redress support that should be offered. The data also highlighted that redress procedures should be sufficiently simple to understand and not constrain the consumer's ability to seek compensation. Consumers must have sufficient help and

support to seek redress, for example, through a convenient and flexible redress policy that allows them to communicate their problems. Undoubtedly, engaging with complicated and time-consuming traditional court litigation methods will not benefit either party, or ensure redress or compensation.

The findings of this study further underscore that, if merchants take the initiative to offer accessible and responsive redress to compensate for their mistakes, they can convince consumers that online purchasing is safe and give consumers the confidence to approach the merchant should a problem arise. This suggests that an effective and responsive redress procedure can assure consumers that merchants are 'here' to take care of any problems. Undoubtedly, litigation actions involving complex, difficult-to-negotiate procedures that require a significant effort from consumers are not the best means of ascertaining the consumer experience or assessing merchants.

Second, consumers noted that accessible and responsive redress processes allow them to express their dissatisfaction. Conversely, the findings suggest that delays or processes that involve several different channels to resolve complaints are impractical. Evidently, this is important part of the role of redress – in encouraging consumers to bring to the merchant's attention transaction problems. On this point, consumers were found to have more trust in immediate redress support than in promises outlined in written policies and procedures. This finding accord with the literature, suggesting that dispute resolution, including that carried out by consumer complaint agencies or intermediaries and small claims courts, does not constitute a favourable option because it is not immediate and also too rigid.

The successful implementation of responsive redress measures in responding to complaints will help to prevent dissatisfied consumers from exiting the transactions about which they have complained. In contrast, a lack of responsive action that leaves problems unattended is likely to worsen consumer confidence and to escalate the perceived difficulties of pursuing redress, which will also result in additional dissatisfaction beyond the original complaint. For instance, dissatisfied consumers are likely to spread negative electronic word-of-mouth (e-WOM). This e-WOM is communicated via the online social network that spans the globe and is almost endless. e-WOM remains online for a long period of time, and whatever is shared is no longer a private matter, as consumers express their personal grievances, often because little has been



done at the point of complains or problems. This has a profound impact on merchant reputation – for example, by persuading potential consumers to search elsewhere for a product or service. In this regard, apologies from merchants do not necessarily give their business a negative image, but may in fact help to mitigate any damage caused to consumer trust.

The findings also revealed that dissatisfied consumers are reluctant to seek redress from merchants who have complex online complaint procedures. The consumer participants in our study assumed that such merchants would be unlikely to extend support to their consumers, and therefore had little confidence that the complaint outcomes would compensate them adequately for or resolve the problems they encountered. In such a situation, consumers will likely feel powerless, and that their time and resources would be better spent on activities over which they have a level of control, particularly in the case of an inexpensive purchase. This finding was unanticipated and suggests that redress is likely to become an even bigger concern and to influence how consumers assess a merchant when a significant financial loss is involved. It is therefore crucial that redress be made available to accommodate all levels of complaints and problems in online shopping, regardless of the value of the purchase. In the absence of such redress, consumers tend to only purchase low-cost items online and shop in store for more expensive items.

Uncomplicated and transparent complaint procedures are important to counter consumer perceptions that seeking redress is difficult. This offers consumers a sense of confidence because they are aware of their consumer rights and the protections available. Consumers will experience less concern and frustration around knowing what, where or how to seek redress. This study also reveals that if sending several emails to a merchant regarding a problem is considered difficult, engaging traditional litigation is certainly not the ideal solution. The consumers in our study believed that, if this occurs in an international transaction, they could face greater uncertainty around redress support and complaint outcomes. Indeed, with many smaller consumer purchases there is little prospect of a consumer pursuing a legal claim when merchants reluctant to address a complaint to the consumer's satisfaction. In such circumstances, a consumer has limited options but to accept the loss rather than take legal action against the merchant.

Traditional litigation has never been a favourable option for merchants either. Instead, according to

the merchants in our research, flexible redress policies and procedures offer an advantage in allowing them to pacify unhappy consumers immediately. It is essential to have such policies and procedures because a merchant cannot anticipate what might happen in a transaction and when it might happen. A flexible redress procedure was expected by most of the consumers in our study and represents a win-win situation. Our findings also revealed that, in a post-failure situation, consumers appeared to be more emotional than they were in relation to problems with offline transactions. This supports the need for effective and responsive complaint handling in the online context, insofar as redress reflects the responsibility of the merchants and thereby improves consumer confidence. Clearly, engaging in complicated and confusing redress procedures via litigation is unlikely to benefit any party in the transaction.

## **9. CONCLUSION**

### **9.1. Main Contributions**

The results demonstrated that when problems occur in B2C e-commerce, consumers expect and require an accessible and responsive complaint-handling procedure to be made available immediately. Consumers have the confidence to trust what redress can do, instead of what redress will do. This suggests that consumers expect an immediate action and effort from the merchants to resolve complaints. Taken together, the findings suggest that traditional litigation is neither appropriate nor necessary. However, it is also possible that consumers are often not aware that they can engage in traditional court litigation to seek redress. Traditional litigation could be effective if it were simple, well defined, accessible, responsive and applicable to complaints arising out of B2C e-commerce, consumers would be more likely to seek a legal claim rather than accepting whatever financial loss they have incurred through the transaction.

As things stand in the judicial system, when consumers engage in traditional court litigation to seek redress in relation to B2C online transactions, the expense and time involved are impractical. This is especially true with B2C e-commerce transactions undertaken across borders as such transactions can easily lead to jurisdictional issues. Hence, traditional court processes of dispute settlement are not always the best option for B2C e-commerce complaints. The results here articulate that an accessible and responsive redress

procedure has an important role to play when significant problems occur, mostly about product price. This research also demonstrates that accessible and responsive redress becomes an issue only when the consumer wants compensation. The consumers in our research agreed that accessible, uncomplicated and responsive redress can bolster their confidence and trust, as this indicates they are dealing with a trustworthy merchant. They stressed that long, confusing and complicated complaint procedures should be avoided.

In sum, on a practical level, this research identified the important role of an accessible and responsive redress procedure, and the impact of this on the consumer. Thus, the theoretical contribution of this research lies in providing insights to merchants to enable them to find the best ways to incorporate redress into their business.

## **9.2. Limitations and Future Research**

A number of important limitations of this research need to be acknowledged. First, the interpretive methodology used in this study aims to produce findings that provide insights into redress, rather than to identify generalizable explanations. The participants were self-selected from the population and were not a random sample; thus the findings are not generalizable to all online consumers and merchants. Although there was sufficient evidence from different groups of participants that supported and confirmed the findings, they are nevertheless subject to the researcher's bias, beliefs or assumptions. Other researchers who seek to replicate this study may generate different outcomes.

In terms of the relevance of this study, possible future directions for research on this subject should also be considered. The authors intend to develop a set of hypotheses to test the relationships between the concepts, categories and themes that emerged from this research to further assess the results. Distributing surveys to a larger number of online consumers and merchants will allow a greater number of participants to be involved and therefore may increase the generalizability of the results. Additionally, the current sample set could be approached again to identify how time has influenced complaint procedures in B2C e-commerce. Given the rapid changes in consumer experiences and the growth in e-commerce activities in general and B2C online shopping in particular, it might be worthwhile to ask: would the influential themes that emerged in the current study be the same a year or more into the future?

Finally, it might be beneficial to carry out a different study with online consumer and merchant participants from more diverse backgrounds and industries, and consumers with different purchasing powers and/or less online shopping experience. Such an analysis may be useful as a different generation and age group of consumers will be participating in the online market. Another factor to consider might be differences between the international contexts, which remind us of potential cultural differences. Considering all of the above factors will shed further light on the importance of complaint procedures in B2C online shopping.

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