

# **A Model of the Customer Complaint Organization: The Role of Hassle Costs\***

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## **Abstract**

This research examines the incentives within a firm's customer complaint organization (CCO) (e.g. a call center). A purchasing consumer may be dissatisfied and file a complaint with a CCO agent to seek redress. If the consumer does initially not obtain a sizable refund, then she can appeal to a second agent. Assuming this involves hassle costs, we model the interaction between a dissatisfied customer and the CCO to study the optimal design of the CCO structure. We find the optimal hierarchical structure grants restricted payout authority to lower level agents. This structure minimizes redress payouts by exploiting consumer hassle cost. We then analyze how these organizational incentives interact with the sale price. The CCO provides more authority to lower level CCO agents for higher priced products. Furthermore, larger hassle costs imply higher optimal pricing and profits. Finally, we show that the provision of a CCO with this hierarchical structure is profitable only if consumers experience sufficient hassle costs.

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