
DETERMINING THE IMPORTANCE OF COMPLAINT RESOLUTION PROCESS IN INFLUENCING CUSTOMER LOYALTY

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ABSTRACT

Complaints are generally made by customers who are dissatisfied by the offer. However it is important to note that only fraction out of the dissatisfied customers who actually complain while other will spread negative word of mouth. While service failures are inevitable successful recovery after service failure has been identified as an important aspect of customer repurchase. Some even suggest that better recovery is even better than delivering the service right in the first place. The current study using a sample of 371 respondents comprising 16-25 year olds to look at the importance of complaint handing process on customer repurchase behaviour. Due to the nature of variables structural equation modelling was used to analyse the data, where PLS regression was used as the statistical tool. The study found out that ease of complaining; both physical and cognitive ease is important for customer complaint satisfaction and brand image. Further complaint satisfaction and brand image positively impact customer loyalty as mediators.

Keywords: *Complaint Ease, Complaint Satisfaction, Brand Image, Loyalty*

1 INTRODUCTION

Complaints are generally made by customers who are dissatisfied by the offer. However it is important to note that only fraction out of the dissatisfied customers who actually complain while other will spread negative word of mouth (Lu, et.al, 2018). On average, for every customer who actually complains, there are more than six others who do not complain but have the same problem or disappointment (Customer Care Measurement and Consulting, 2015). While the number may be disputed the importance of handling customer complaints properly is well documented in the literature. Here creating mechanisms that customers can complain easily contributes to increase the number of customers raising their voice at the service provider

rather than with a third party creating negative word of mouth (Cai & Chi, 2018).

Further successful recovery after failure has been identified as an important aspect of customer repurchase (Lu, et.al, 2018). Some even suggest that better recovery is even better than delivering the service right in the first place (McCullough, 2000), thus providing even more reason for firms to be vigilant. Despite the importance there have been very little work done in the area in Sri Lankan context creating a contextual gap. Thus the main objective of the paper is to investigate the impact of successful complaint resolution on future purchases.

2 LITERATURE REVIEW

One main reason behind customers not complaining about dissatisfactory experience is the significant amount of energy and effort which is required to make the complaint (Gursoy, McCleary, & Lepsito, 2003). The study divides this effort into two main categories; physical effort and the emotional effort, and tests the subsequent physical and cognitive easiness in complaining. “The physical efforts are related to the energy and resources that individuals have to exert physically to express their concerns and complain about their dissatisfactory experiences” (Berry et al., 2002, p 2). The more effort one has to exert, the more outcome he or she expects in return (Oliver and Swan, 1989). Cognitive/emotional efforts on the other hand are a typical type of energy individuals utilize to process information in order to make decisions (Gibbs & Drolet, 2003). When service environment requires more cognitive/emotional efforts to process the information, consumers often choose not to complain and walk away while being dissatisfied (Fiske & Taylor, 1984).

Then the study looked at the complaint handling process and whether the individual customer is satisfied with the complaint handling process. The study termed it “complaint satisfaction” refers to customer’s perception about how the service failure was handled. It has been ascertained that when consumers has to exert more efforts in order to complain and because the complaining process is complex, it is less likely that customers will be satisfied about the overall experience (Lu, et.al, 2018).

Next the study investigates the concept of Brand Image and its mediating role in the complaint handling process. Brand Image can be defined as the “perceptions of the brand by the consumers as represented by the brand associations in the consumers' memory” (Keller, 1998). Companies always thrive for positive brand images since they are directly linked to positive attitudes towards the brand and the acceptance of the brand by customers (Kang & James, 2004).

Customer Loyalty was investigated by dividing it into two areas; attitudinal loyalty and behavioral loyalty. Attitudinal loyalty is consumer’s identification with a particular service provider and preference of a product or service over alternatives (Jones and Taylor, 2007, p39) while behavioral loyalty is customers’ intentions for repeat purchase, and actual purchase behavior (Bove & Johnson 2009).

3 METHODOLOGY

400 Questionnaires were distributed among Youth (aged 16-25) who had recent experience with a service failure. Out of the 400 questionnaires distributed, 371 were used in the analysis. Sample was selected using non-random methods.

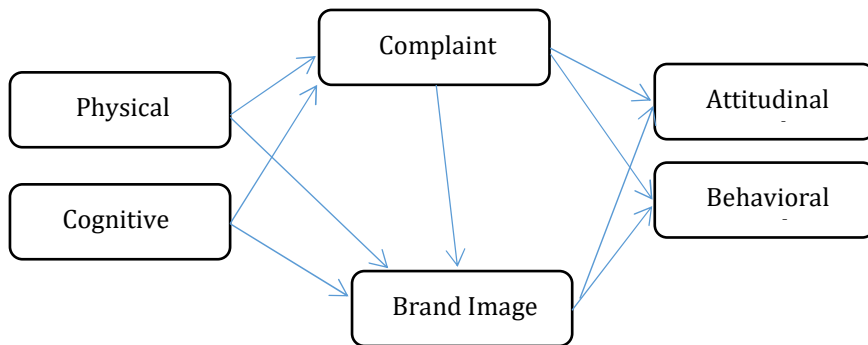


Figure1: Conceptual Framework

The questionnaire included 23 closed-ended likert scale questions which were aimed at measuring 6 variables, namely, physical easiness to complain, cognitive easiness to complain, complaint process satisfaction, brand image, attitudinal loyalty and behavioral loyalty. Figure 1 graphically illustrates the proposed relationship among above variables. Moreover Table 1 provides more information on the operationalization of constructs. These questions were formed as attitudinal statements and were measured on a five point scale which ranged from strongly agree (5) to strongly disagree (1). The midpoint of the scale was anchored at 3 (neither agree nor disagree). The questionnaire was developed in English and then was back translated to Sinhala, by an expert in order to increase the validity of the data.

Table 1: Operationalization of variables

Variable	Items	Adopted from
Physical Easiness to Complain	4	Cai & Chi, 2018
Cognitive Easiness to Complain	4	Cai & Chi, 2018
Complaint Satisfaction	3	Stauss, 2002
Brand Image	3	Low & Lamb, 2000
Attitudinal Loyalty	3	Bandyopadhyay & Martell, 2007 and Chiou & Droge, 2006
Behavioral Loyalty	6	Bandyopadhyay & Martell, 2007 and Chiou & Droge, 2006

Table 2: Construct reliability and validity

	Cronbach's Alpha	Composite Reliability	Avg. Var. Extrac (AVE)
Behavioral Loyalty	0.842	0.883	0.558
Attitudinal loyalty	0.698	0.832	0.624
Brand Image	0.695	0.831	0.622
Cognitive Ease	0.834	0.889	0.668
Complaint Satisfaction	0.697	0.832	0.623
Physical Ease	0.768	0.852	0.59

A reliability analysis is required to ascertain the degree of consistency between multiple measurements of a variable (Black, 2009). The most commonly used method of measuring reliability is the internal consistency measure, (Hair, Black, Babin & Rolph, 2006) hence current study calculates this using Cronbach's Alpha (Table 2). However assessing PLS models, using Cronbach's alpha is disputed, rather using indicators with composite reliabilities above 0.7 is recommended (Bagozzi and Yi, 1988). In order to be robust current study calculates both these values.

Further Average Variance Extracted (AVE) values above 0.5 indicate that the measures have convergent validity (Bagozzi and Yi, 1988). The current study with the lowest AVE of 0.558 adheres to this as well. Refer table 2 for more details.

Table 3: Correlations matrix & Fornell & Larcker criterion

	Behavio Loyalty	Attitu loyalty	Brand Image	Cognit Ease	Complai Satisfact	Physical Ease
Behavioral Loyalty	0.747*					
Attitudinal loyalty	0.434	0.790*				
Brand Image	0.588	0.53	0.788*			
Cognitive Ease	0.548	0.577	0.603	0.817*		
Complaint Satisfaction	0.461	0.534	0.505	0.427	0.789*	
Physical Ease	0.408	0.456	0.508	0.44	0.466	0.768*

* $\sqrt{\text{AVE}}$: square roots of the AVE

In order to measure the discriminant validity “Fornell-Larker criterion” can be used. According to Fornell-Larker criterion, each construct’s AVE should be higher than its squared correlations with other constructs (Fornell and Larker, 1981). Refer Table 3. Please note that values along the diagonal represent square roots of the AVE values. Adherence to these three criteria signals main forms of reliability and validity for the constructs used in the study.

Table 4: Collinearity Statistics (VIF)

	Behavioral Loyalty	Attitudinal loyalty	Brand Image	Complaint Satisfaction
Brand Image	1.343	1.343		
Cognitive Ease			1.345	1.241
Complaint Satisfaction	1.343	1.343	1.385	
Physical Ease			1.405	1.241

The study also checked for multi-collinearity, since it can have adverse effects on the study. The highest correlation recorded is 0.588 while highest VIF value recorded is 1.345 (Table 4). These values are well below the accepted levels of 0.7 and 10 respectively (Hair, et.al, 2013). If all factor level VIF’s resulting from full collinearity tests are equal to or lower than 3.3 the model can be considered free of common method bias (Kock, 2015). The highest VIF value recorded in the current model is 2.81, thus we can determine that the model is common method bias free.

Table 5: Model Fit

	Saturated Model	Estimated Model
SRMR	0.063	0.078

The SRMR is defined as the difference between the observed correlation and the model implied correlation (Hu and Bentler, 1999). Thus, it allows assessing the average magnitude of the discrepancies between observed and expected correlations as an absolute measure of (model) fit criterion (Henseler et al. 2014). A value less than 0.10 (or 0.08, conservative) are considered a good fit (Hu and Bentler, 1999). SRMR Value for both saturated model and the estimated model for the current study are below 0.08 signaling good fit (Table 5).

4 RESULTS & DISCUSSION

The results reveal that when brand image & complaint satisfaction are used as predictors, it is revealed that brand image explains around 35% variation, while complaint satisfaction explains around 36% variation in the dependent variable, attitudinal loyalty. When the same predictors were used to explain behavioral loyalty it is observed that while brand image explains around 48% and complaint satisfaction explains around 22% (Table 6 and Figure 2).

Table 6: Total Effects

	Attitudinal Loyalty	Behavioral Loyalty	Brand Image	Complaint Satisfaction
Brand Image	0.349	0.477		
Cog Ease in Complaining	0.263	0.285	0.471	0.274
Complaint Satisfaction	0.359	0.221		
Phi Ease in Complaining	0.228	0.219	0.300	0.345

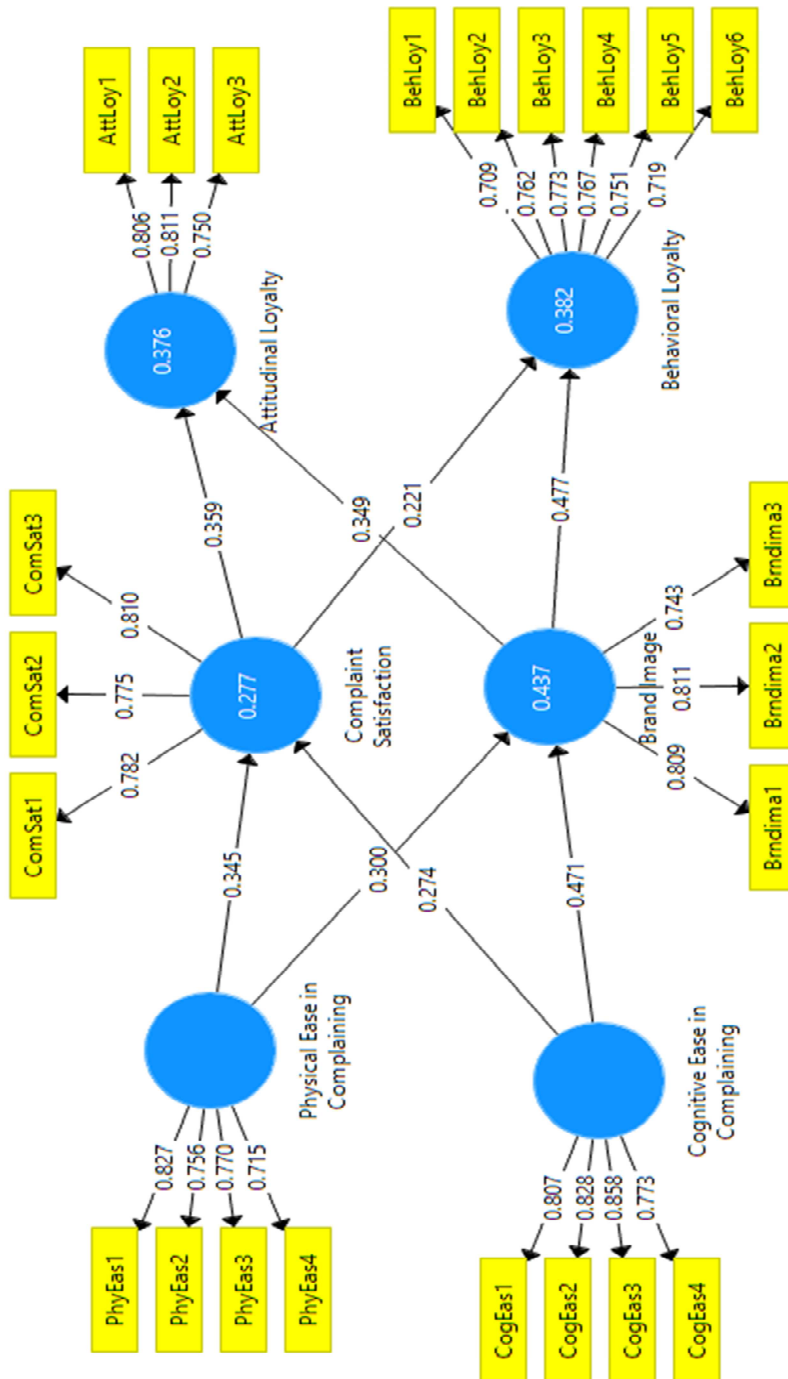


Figure 2: Path Coefficients

Next the study looks at the indirect effects. Table 7 reveals that the indirect effects are significant for all paths. In order to further identify specific indirect effects and the mediator roles the study looked at specific indirect effects. Results reveal that both brand image and complaint satisfaction mediates the relationship between ease of complaining (both physical and cognitive ease) and attitudinal loyalty and the results are significant (refer table 8).

However when it comes to the mediating relationship between behavioral loyalty and ease of complaining the study observe slightly different results. While the Brand image works as a statistically significant mediator between ease of complaining (both physical and cognitive ease) and behavioral loyalty, complaint satisfaction does not register a statistically significant mediator effect when tested between ease of complaining (both physical and cognitive ease) and behavioral loyalty. Refer Table 8 for more details.

Table 7: Total Indirect Effects

	b	SD	t-value	p-value
Cognitive Ease in Complaining -> Attitudinal Loyalty	0.388	0.072	5.364	0.000
Cognitive Ease in Complaining -> Behavioral Loyalty	0.437	0.080	5.486	0.000
Physical Ease in Complaining -> Attitudinal Loyalty	0.374	0.063	5.902	0.000
Physical Ease in Complaining -> Behavioral Loyalty	0.305	0.065	4.698	0.000

Table 8: Specific Indirect Effects

	b	SD	t-value	p-value
Cognitive Ease in Complaining -> Brand Image -> Attitudinal Loyalty	0.253	0.086	2.953	0.003
Cognitive Ease in Complaining -> Complaint Satisfaction -> Attitudinal Loyalty	0.135	0.06	2.258	0.024
Physical Ease in Complaining -> Brand Image -> Attitudinal Loyalty	0.161	0.06	2.678	0.008
Physical Ease in Complaining -> Complaint Satisfaction -> Attitudinal Loyalty	0.213	0.071	3.018	0.003
Cognitive Ease in Complaining -> Brand Image -> Behavioral Loyalty	0.409	0.105	3.895	0.000
Cognitive Ease in Complaining -> Complaint Satisfaction -> Behavioral Loyalty	0.028	0.044	0.645	0.519
Physical Ease in Complaining -> Brand Image -> Behavioral Loyalty	0.26	0.07	3.738	0.000
Physical Ease in Complaining -> Complaint Satisfaction -> Behavioral Loyalty	0.045	0.061	0.731	0.465

The study reveals that successfully resolving complaints and solving problems leads to improved complaint satisfaction and brand image. Higher satisfaction and brand image increase loyalty. Thus the study recommends firms to carefully review their complaint handling processes. While some level of mistakes and customer dissatisfaction is unavoidable, the results reveals that firms should always have correct practices in place to customers to both make complaints with ease and procedures to solve those complaints with equal ease. The study also acknowledges the importance of further studies in the area in order to increase the validity and the generalizability of the findings, due to the sample of the current study is selected using non-random methods and limiting to youth.

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