

## **Impact of complaint management process on customer loyalty**

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### **Abstract**

Complaints are generally made by customers who are dissatisfied with the offer. However, it is important to note that only a fraction out of the dissatisfied customers complains and others simply will spread negative word of mouth. While service failures are inevitable, successful recovery after a service failure is something every organization can work on and it has also been identified as an important aspect of customer repurchase behavior. More importantly, it is suggested in the literature, that effective service recovery can even be better than delivering the service right in the first place in capturing loyalty. The current study using a sample of 371 respondents comprising 16-25-year-olds looks at the importance of the complaint handling process on customer repurchase behavior. Due to the nature of variables structural equation modeling was used to analyze 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 perceived complaint resolution satisfaction and brand image. Further, complaint satisfaction and brand image positively impact customer loyalty as mediators.

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

## **Introduction**

Complaints are generally made by customers who are dissatisfied with the offer. However, it is important to note that only a fraction of dissatisfied customers complain while others will spread negative word of mouth (Lu et.al., 2018; Babin, Zhuang & Borges, 2021). On average, for every customer who 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 so that customers can complain easily can contribute to an increasing number of customers raising their voices 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 repurchases (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 has been very little work done in the area in the Sri Lankan context (Ponnahennedige, 2021) creating a contextual gap. Thus the main objective of the paper is to investigate the impact of successful complaint resolution on future purchases.

## **Literature Review**

One main reason behind customers not complaining about the dissatisfactory experience is the significant amount of energy and effort which is required to make the complaint (Gursoy, McCleary, & Lepsito, 2003; Cai & Chi, 2018). The study divides this effort into two main categories; physical effort and 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). The more effort one has to exert, the more outcome he or she expects in return (Oliver & Swan, 1989). Cognitive/emotional efforts on the other hand are a typical type of energy individuals utilize to process information to make decisions (Gibbs & Drolet, 2003; Lu et.al., 2018). When the 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; Lu et.al., 2018).

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 customers’ perception about how the service failure was handled (Van Vaerenbergh, Orsingher, Vermeir & Larivière, 2014). It has been ascertained that when consumers have to exert more effort in order to complain and because the complaining process is complex, it is less likely that customers will be satisfied with the overall experience (Lu et al., 2018).

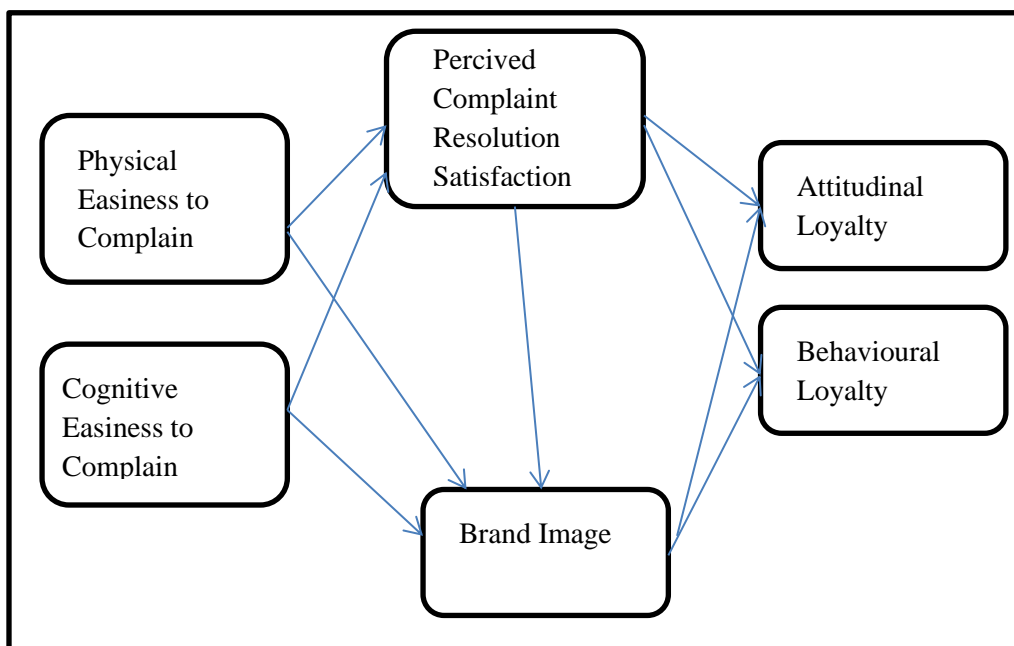
Next, the study investigates the concept of Brand Image and its mediating role in the complaint handling process. Brand Image can be defined as the “perceptions of the brand by the consumers as represented by the brand associations in the consumers’ memory” (Keller, 1998). Companies always thrive on 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; Amron, 2018).

Customer Loyalty was investigated by dividing it into two areas: attitudinal loyalty and loyalty (Cheng, 2011). Attitudinal loyalty is a consumer’s identification with a particular service provider and preference of a product or service over alternatives (Jones and Taylor, 2007) while loyalty is customers’ intentions for repeat purchase, and actual purchase behaviour (Bove & Johnson, 2009).

## **Methodology**

400 Questionnaires were distributed among young respondents (aged 16-25) who had a recent experience with a service failure. Out of the 400 questionnaires

distributed, only 371 could be used in the analysis due to the incompleteness of some of the responses. The sample was selected using non-random sampling methods.



**Figure 1: 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 the 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.

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 et al., 2006); current study calculates this using Cronbach's Alpha. However assessing PLS models, using Cronbach's alpha is disputed, rather using indicators with composite reliabilities above 0.7 is recommended (Bagozzi & Yi, 1988). In order to be robust current study calculates both these values.

**Table 1: Operationalization of Variables**

Variable	Items	Adopted from
Physical Easiness of Complain	4	Cai & Chi, 2018
Cognitive Easiness of Complain	4	Cai & Chi, 2018
Perceived Complaint Resolution 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

Source: Survey Data, 2018.

**Table 2: Construct Reliability and Validity**

	Cronbach's Alpha	Composite Reliability	Avg. Var. (AVE)	Extrac
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	
Perceived Complaint Resolution Satisfaction	0.697	0.832	0.623	
Physical Ease	0.768	0.852	0.59	

Source: Survey Data, 2018.

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

In order to measure the discriminant validity “The Fornell-Larker criterion” can be used. According to the Fornell-Larker criterion, each construct’s AVE should be higher than its squared correlations with other constructs (Fornell & Larker, 1981).

Refer to Table 03. Please note that values along the diagonal represent square roots of the AVE values. Adherence to these three criteria signals the main forms of reliability and validity for the constructs used in the study.

The study also checked for multi-collinearity, since it can have adverse effects on the study. The highest correlation recorded is 0.588 while the highest VIF value recorded is 1.345 (Refer to 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 a common method bias-free.

The SRMR is defined as the difference between the observed correlation and the model implied correlation (Hu & 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) is considered a good fit (Hu & Bentler, 1999). SRMR Values for both the saturated model and the estimated model for the current study are below 0.08 signalling a good fit. Refer to Table 5.

**Table 3: Correlations Matrix & Fornell & Larcker Criterion**

	Behavioral Loyalty	Attitudinal Loyalty	Brand Image	Cognit Ease	Complaint Resolution Satisfaction	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 Resolution 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*

\*  $\sqrt{AVE}$  : Square Roots of the AVE Source: Survey Data, 2018.

**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 Resolution Satisfaction	1.343	1.343	1.385	
Physical Ease			1.405	1.241

Source: Survey Data, 2018

**Table 5: Model Fit**

	Saturated Model	Estimated Model
SRMR	0.063	0.078

Source: Survey Data, 2018.

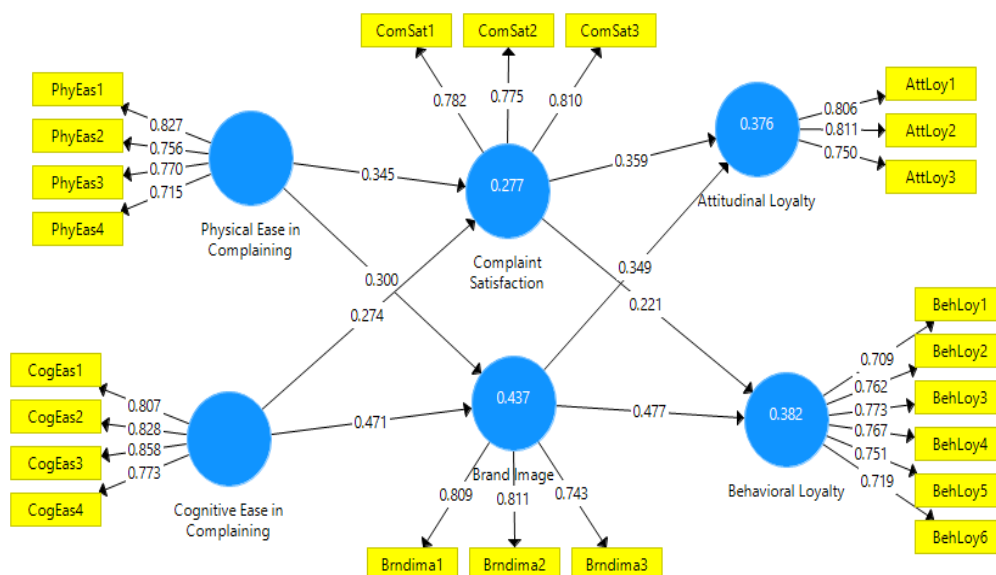
## Results & Discussion

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 behavioural loyalty it is observed that brand image explains around 48% and complaint satisfaction explains around 22%. Refer to Table 6 and Figure 2 for more details.

**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		
Phy Ease in Complaining	0.228	0.219	0.300	0.345

Source: Survey Data, 2018



**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 to Table 8).

However when it comes to the mediating relationship between behavioral loyalty and ease of complaining the study observed slightly different results. While the Brand image works as a statistically significant mediator between ease of complaining (both physical and cognitive ease) and 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 to Table 8 for more details.

**Table 7: Total Indirect Effects**

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

Source: Survey Data, 2018.

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 carefully review their complaint-handling processes. While some level of mistakes and customer dissatisfaction is unavoidable, the results reveal that firms should always have correct practices in place for 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 limited to youth.

**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

Source: Survey Data, 2018.

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