A Comparative Study between New and Loyal Customer Complaint Behaviour in Context of Service Recovery Failures of Indian Banking Sector

Bandaru Srinivasa Rao, Nagendra Kumar Turaga

1 Associate Professor, Department of Management Studies, VFSTR Deemed to be University, Vadlamudi, A.P., India
2 Assistant Professor, Department of Management Studies, VFSTR Deemed to be University, Vadlamudi, A.P., India

https://doi.org/10.26782/jmcms.2019.10.00046

Abstract

Banking is a dynamic sector and, as such, high-quality client service is invaluable for clients to grow and retain. The purpose of the study is to examine the differences in complaint behaviour in context of service recovery failure (Double Deviation) and its effect on complaint behaviour. 114 respondents of sample were selected by random sampling technique to obtain responses in form of well designed questionnaire. Results revealed that new customers are involving more in private actions and defection than the loyal customers in context of double deviation and all the three dimensions magnitude of service failure, recovery strategies, and satisfaction with service recovery have an effect on complaint behaviour. Further this paper consists of implications and future scope for researchers.

Keywords: Complaint Behaviour, Double Deviation, New and Loyal Customers, Banking Sector

I. Introduction

Increased competition and technological progress have enhanced banks' service regions. This competition allowed customer interaction with service providers to be more demanding, as choices were increasingly numerous. The key to customer centricity is the ability to design and provide customer service in a robust and seamless manner. Although, there is agreement that high quality facilities are important, service failure continues a problem for almost every company in the Globe [VIII]. Consequently, in those extremely competitive markets the effectiveness of managing customer reactions to service failures is very significant [X] & Sasser 1990). Johnston and Michel (2008) concluded the service recovery processes of an organization have resulted in three distinct results: customer recovery, process...
recovery and employee recovery. When banks try to recover the service failures, even may fail in the recovery process. Poor service recoveries are compounding already diminutive customerratings after failure, which leads to double deviations (Bitnerthe, Booms, & Tetreault, 1990; Hart et al., 1990; Johnston & Fern, 1999; Mattila, 2001). A double deviation is defined as a perceived inadequate response to failures in the service delivery system, by Bitner et al. (1990 p. 80). Double deviation scenarios therefore mean consumption experiences in which customers have to face service failure, initial service failure and the failed recovery of service. There are little studies in marketing literature about the Consequences of double deviations in Banking Sector but, there was an area left alone about the effects on different types of customers, which stood as a gap. So, this paper highlights two aspects, Firstly Complaint behaviour of a customer in double deviations scenarios and secondly, to examine the differences in complaint behaviour between new customers and loyal customers in terms of failure inservice recoveries.

II. Literature Review

Complaint behaviour theories explain the actions taken by consumers to show their dissatisfaction[VII]. The theory of Hirschman on exit, loyalty and voice serves to explain people's dissatisfaction with relationships, organizations and jobs[VIII]. The theory suggests exit, voice and loyalty as possible answers for discontent, and is then found to be useful in categorizing CCBs (Boutaibi, 2014; Kruger & Mostert, 2014). It also emphasizes that while loyal customers are not encouraged to react positively because of their discontent, it does not imply they have favorable emotions about their organisations and services (Maute & Forrester, 1992; Bolton & Bronkhorst, 1995). The Day and Landon taxonomy of consumer complaint behavior is another commonly agreed hypothesis of CCB (Broadbridge & Marshall, 1995). For consumers that do not agree with the purchase, there are three options available: no action, private action and public action[XI]. The first choice to be made by customers is to decide whether or not to take action. If an action is chosen, then customers will consider either adopting private or public action[XVII]. This decision-making method describes the nature and significance of the action depending on the item discontent rate and the assessment of the effort and expectations needed. A further concept on the topic is Singh's taxonomy of consumer complaint replies (1988). He developed the 3D typology, which differentiates the complaint behaviors of many consumers based on the aim of responding. The voice response is a conduct aimed to requesting organisation for Redressal[XXIII]. The private response, in turn, is a behavior aimed at the participating in sharing the
discontent to their families and colleagues. Finally, the third party response is a behavior aimed such as legal action. Cognitive dissonance theory is often employed to clarify how discontent leads to great dissonance and further measures to remove it (Thomas, 2010). It explains the imbalance of one's own consciousness resulting from conflicting experiences, activities or feelings (Awa & Nwuche, 2010). The theory also suggests that high dissonance is a driver for consumers, one of whom complains that they take some kind of measures to remove the condition[XXVII]. From all the above theories by summarizing, four responses were taken from (Ndubisi and Ling, 2005): No action, Public action, Private action, and defection. To understand Double deviation scenarios in complaint behaviour three determinants like magnitude of service failure, recovery strategies and satisfaction with service recovery were taken as antecedents from (Ana B. Casado-Díaz & Juan L. Nicolau-Gonzálbez, 2009).

II.i. Magnitude of service failure

Many researchers have analyzed the effects on a service failure and recovery encounters context of the magnitude of the failure (also called the severity of the failure / unsuccessfulness issue) (Hess, Ganesan, & Klein, 2003, Smith & Bolton, 2002; Smith, Bolton & Wagner, 1999) [XXXII].

II.ii. Recovery strategies

In this study we focus on two aspects, apology and explain, as two methods for analysis that more attention has been paid in latest studies (Mattila and Patterson, 2004)[XXXIII]. Based on previous studies we propose that excuses and clarifications may have a different effect on different behaviors of customers after complaints (Davidow, 2003).

II.iii. Satisfaction with service recovery

Literature is abundant, which promotes a common understanding that satisfied clients are more probable than unhappy customers to remain with their current service providers (Oliver, 1997; Szymanski & Henard, 2001). In this regard, retrieval satisfaction can influence customer behavior after the complaint (Kelley and Davis 1994; Tax et al. 1998)[XXXIV].

As general rule no customer responds same to service failure. Especially, in banking where customer service is the key element in success of a business. The customer who was new may perceive the service failure in one way when compared to loyal customer[XXXV]. Lam et al. (2004) identified customer
loyalty as a willingness to advise other clients and repeatedly sponsor the service provider[XXXVI]. A loyal bank customer was described by Fisher (2001 pp. 77-8)[XXXVII] as an individual who continues to do company with the same bank and uses new goods. Without loyalty, unhappiness arising from unsatisfactory experiences will cause customers to complain.

III. Methodology

Taking into consideration of the background, the study on customer complaint behaviour was measured in double deviation scenario by preparing a questionnaire adopted from (Liu and McClure 2001, p. 72). The research survey questionnaire consists of three parts firstly relating to demographic characteristics of the respondents, secondly about the complaint behaviour responses in Double deviation scenarios by the respondents and finally about the response on antecedents of double deviation scenarios in banking industry. The data was collected from the respondents from banks in Vijayawada and Guntur in Andhra Pradesh state of India. The reliability and validity of questionnaire was tested and asked to 130 customers in that 114 customer responses were taken to analyse due to incomplete and errors in filling questionnaire. SPSS 12.0 was used for data analysis in Calculation of descriptive statistics like mean, frequency, Regression and chi-square tests.

III.i. Objectives of the study

a. To know the impact of antecedents on complaint behaviour in Double Deviations Scenario.
b. To investigate the complaint behaviors in double deviation scenario of service failures.
c. To examine the difference in complaint behaviors loyal customers and new customers in double deviation scenario of service failures.

Hypothesis below provides the scope of the study:

H₀ 1: There is no significant impact of magnitude of service failure on complaint behaviour.
H₀ 2: There is no significant impact of Recovery strategies on complaint behaviour.
H₀ 3: There is no significant impact of satisfaction with service failure on complaint behaviour.
H₀ 4: There is no significant difference between new and loyal customer in double deviations scenario of service failure.
In this study two populations were analyzed one is new customers and the other is loyal customers. The study was preceded with assuming that loyal customers even in service recovery failure the behaviour towards complaint will be no action than the new customers.

IV Findings

| S.no. | Respondents Profile | Frequency | Percentage |
|-------|---------------------|-----------|------------|
| 1     | Age                 |           |            |
|       | 20-30               | 19        | 16.7       |
|       | 31-40               | 53        | 46.5       |
|       | 41-50               | 29        | 25.4       |
|       | Above 51            | 13        | 11.4       |
| 2     | Gender              |           |            |
|       | Female              | 31        | 27.2       |
|       | Male                | 83        | 72.8       |
| 3     | Income              |           |            |
|       | Much lower          | 39        | 34.2       |
|       | Little lower        | 44        | 38.6       |
|       | Average             | 27        | 23.7       |
|       | Little higher       | 4         | 3.5        |
|       | Much higher         | 0         | 0          |

Table.1. Source: Primary data

The demographic characteristics of the respondents were described in the table 1. Consumer samples comprised about 73% of men with 27% of females, 16.7% of respondents between the ages of 20 and 30, and 46.5% between the ages of 31 and 40 and 25.4% between the ages of 41 and 50. Nearly 73% of interviewees were married. The bulk of respondents believed that they had reduced or much smaller revenues than other customers as regard purchasing power. In order to evaluate internal consistency of the scales, the Cronbach alpha test was implemented. The alpha value of Cronbach for products amounted to 71.5%.
Table 2. \( H_0 \) 1: There is no significant impact of magnitude of service failure on complaint behaviour.

The above results in the table 2 reveal that the importance and severity of service failure influence the complaint behaviour. As the calculated values 0.000, 0.000 are less than the p value 0.05, we reject null hypothesis. The regression analysis show that in two variables severity is positively effecting towards complaint behaviour.

\( H_0 \) 2: There is no significant impact of Recovery strategies on complaint behaviour.

| Recovery strategies | Beta Value | t-value  | Cal. Value |
|---------------------|------------|----------|------------|
| Apology             | 1.472      | 47.730   | .000       |
| Explanation         | .055       | 3.806    | .000       |

In terms of recovery strategies both apology and explanation were influencing to complaint. As the calculated values are less than the p-value 0.05, we reject null hypothesis. It means recovery strategies are influencing the complaint behaviour. And regression results in table reveal that apology is more positively affect the complaint behaviour than explanation.

\( H_0 \) 3: There is no significant impact of satisfaction with service failure on complaint behaviour.

| Satisfaction with service failure | Beta Value | t-value  | Cal. Value |
|----------------------------------|------------|----------|------------|
| Displeased                       | 1.912      | 50.578   | .000       |
| Dissatisfied                     | .031       | 2.816    | .005       |
| Unhappy                          | -.136      | -10.219  | .000       |

In relation to satisfaction levels with the service failures there was an influence on complaint behaviour. As all the calculated values are less than and equal to the p-value 0.05, we reject null hypothesis by stating that there will be effect of satisfaction levels with service failures on complaint behaviour. Further regression results state that in three variables under this dimension unhappy is negatively influencing the complaint behaviour.
H₀: There is no significant difference between new and loyal customer in double deviations scenario of service failure.
Chi-Square test evaluates statistically significant differences between the proportions in two or more groups for independence assessment (Tekin, 2006).

| S.no. | Complaint Behaviour | Calculated value | Standard Deviation | Sig.level at 0.05 | Result |
|-------|---------------------|------------------|--------------------|-------------------|--------|
| 1     | Public action       | 9.997            | 17                 | 0.904             | Accept |
| 2     | Private action      | 12.976           | 7                  | 0.049             | Reject |
| 3     | Defection           | 14.550           | 7                  | 0.042             | Reject |
| 4     | No action           | 3.819            | 4                  | 0.431             | Accept |

Table 5. Source: Primary data

From the above results we can summarize that there is no significant differences in loyal customers and new customers in terms of private complaints. As the value 0.049 is less than the 0.05 the null hypothesis is rejected at significance level. In the same way there is no significant difference in loyal customers and new customers in terms of defection as the p value is 0.042 which is less than the significant value. In other words, in four responses of the customers private actions and deflections have significant relationship with the customer status like new and loyalty.

V. Conclusion

In most service organizations, failure of production and/or delivery of services are unavoidable, but the recovery process should be controlled in all these organisations. This paper highlights the effects of recovery process in relation to customer status. The study reveals that determinants of double deviation in service failures are all showing the impact on the complaint behaviour. In those importance-variable from magnitude of service failure and unhappy-variable from satisfaction levels represented negative effect on complaint behaviour in influencing towards complaint behaviour. In the process of recovery to the failure in service the behaviour of the employees was examined and it revealed that customers who are new are more willing to leave the banks and also more involved in private action in terms of negative word of mouth with friends, family members and with their peer group.
V.i. Limitations, Implications and Future Scope of the Study
The study was restricted to few limitations Firstly, the sample selected from
two regions to study the behaviour of banks located in these regions for whole
population of India. Secondly, as the study was Double deviation in service
failures longitudinal study may yield better results than cross sectional
study. New dimensions can be explored in the recovery process failures in
banking sector. Managers of the banks should formulate a mechanism which
reduces and even attempts to eliminate the failures in the recover process. This
paper helps the managers to concentrate more on the new customers than loyal
customers to reduce the negative WOM in the market.

References

I. Ana B. Casado-Díaz & Juan L. Nicolau-Gonzálbez (2009) Explaining
customer complaining behaviour in double deviation scenarios: the
banking services, The Service Industries Journal, 29:12, 1659-1668,

II. Awa, H. O., & Nwuche, C. A. (2010) Cognitive consistency in
purchase behaviour: Theoretical & empirical analyses. International
Journal of Psychological Studies, 2(1), 44-54.
http://dx.doi.org/10.5539/ijps.v2n1p44

III. Bitner, M.J., Booms, B.H., & Tetreault, M.S. (1990) the service
encounter: Diagnosing favorable and unfavorable incidents. Journal of
Marketing, 54(January), 71–84.

IV. Bolton, R. N., & Bronkhorst, T. M. (1995) The relationship between
customer complaints to the firm and subsequent exit behavior.
Advances in Consumer Research, 22, 94-100.

V. Boutaibi, L. S. (2014). What determines consumers’ complaint
behavior after purchasing an inappropriate or defective financial retail
product? (Unpublished master thesis). Erasmus Universiteit Rotterdam,
Netherlands

VI. Broadbridge, A., & Marshall, J. (1995) Consumer complaint
behaviour: The case of electrical goods. International Journal of Retail
& Distribution Management, 23(9), 8-18.
http://dx.doi.org/10.1108/09590559510098663.
VII. Davidow, M. (2003) Organizational responses to customer complaints: What works and what doesn’t. Journal of Service Research, 5(3), 225–
250."

VIII. Ennew, C &Shoefer, K. (2004), Service Failure and Service Recovery in Tourism: Areview, The Tourist: A Psychological Perspective, Raj.

IX. Fisher, A. (2001), “Winning the battle for customers”, Journal of Financial Service Marketing, Vol. 6 No. 1, pp. 77-83.

X. Hart, C.W.L., Heskett, J.L., &Sasser, W.E., Jr. (1990) the profitable art of service recovery Harvard Business Review, 68(4), 148–157.

XI. Hess, R.L., Jr., Ganesan, S., & Klein, N.M. (2003) Service failure and recovery: The impact of relationship factors on customer satisfaction. Journal of the Academy of Marketing Science, 31(2), 127–145.

XII. Hymavathi, C.H., Koneru, K.(2018). Investors' awareness towards commodities market with reference to GUNTUR city, Andhra Pradesh. International Journal of Engineering and Technology(UAE). 7(2), pp. 1104-1106.

XIII. Hymavathi, C.H., Koneru, K.(2019). Investors perception towards Indian commodity market: An empirical analysis with reference to Amaravathi region of Andhra Pradesh. International Journal of Innovative Technology and Exploring Engineering. 8(7), pp. 1708-1714.

XIV. Hymavathi, C., Koneru, K. (2019). Role of perceived risk in mutual funds selection behavior: An analysis among the selected mutual fund investors. International Journal of Engineering and Advanced Technology. 8(4), pp. 1913-1920.

XV. Johnston, R., & Fern, A. (1999) Service recovery strategies for single and double deviation scenarios. The Service Industries Journal, 19(2), 69–82.

XVI. Kelley, S.W., & Davis, M.A. (1994) Antecedents of customer expectations for service recovery. Journal of the Academy of Marketing Science, 22(1), 52–61.

XVII. KishanVarma, M.S., Koneru, K., Yedukondalu, D.(2019). Affect of worksite wellness interventions towards occupational stress. International Journal of Recent Technology and Engineering. 8(1), pp. 2874-2879.
XVIII. Kruger, L., & Mostert, P. G. (2014) The influence of relationship intention on cell phone users’ attitudes towards complaining and complaint behaviour, Southern African Business Review, 18, 35-63.

XIX. Lam, S., Shankar, M., Erramilli, K. and Murthy, B. (2004), “Customer value, satisfaction, loyalty and switching costs: an illustration from a business-to-business service context”, Journal of the Academy of Marketing Science, Vol. 32 No. 3, pp. 293-311.

XX. Liu, R. and McClure, P. (2001), “Recognizing cross-cultural differences in consumer complaint behavior and intentions: an empirical examination”, Journal of Consumer Marketing, Vol. 18 No. 1, pp. 54-74.

XXI. Mattila, A.S. (2001). The impact of relationship type on customer loyalty in a context of service failures. Journal of Service Research, 4(2), 91–101.

XXII. Mattila, A.S., & Patterson, P.G.(2004). Service recovery and fairness perceptions in collectivist and individualist contexts, Journal of Service Research, 6(4), 336–346.

XXIII. Manukonda et al. (2019). What Motivates Students To Attend Guest Lectures?. The International Journal of Learning in Higher Education. Volume 26, Issue 1. 23-34.

XXIV. Maute, M. F., & Forrester, W. R.(1992). The structure and determinants of consumer complaint intentions and behavior. Journal of Economic Psychology, 14, 219-247. http://dx.doi.org/10.1016/0167-4870 (93)90001-2

XXV. Oliver, R.L. (1997). Satisfaction: A behavioral perspective on the consumer. New York:McGraw-Hill.

XXVI. Smith, A.K., & Bolton, R.N.(2002). The effect of customers’ emotional responses to service failures on their recovery effort evaluations and satisfaction judgments. Journal of the Academy of Marketing Science, 30(1), 5–23.

XXVII. Neelima, J., Koneru, K.(2019). Assessing the role of organizational culture in determining the employee performance - empirical evidence from Indian pharmaceutical sector. International Journal of Innovative Technology and Exploring Engineering. 8(7), pp. 1701-1707.

XXVIII. Smith, A.K., Bolton, R.N., & Wagner, J.(1999). A model of customer satisfaction with service encounters involving failure and recovery. Journal of Marketing Research, 36(3), 356–372.
XXIX. Szymanski, D.M., & Henard, D.H. (2001). Customer satisfaction: A meta-analysis of the empirical evidence. Journal of the Academy of Marketing Science, 29(1), 16–35.

XXX. Tax, S.S., Brown, S.W., & Chandrashekaran, M. (1998). Customer evaluations of service complaint experiences: Implications for relationship marketing. Journal of Marketing, 62(2), 60–76.

XXXI. Thomas, J. B. (2010). The social psychology of IT security auditing from the auditee’s vantage point: Avoiding cognitive dissonance. Isaca Journal, 3, 1-4.

XXXII. Sivakoti Reddy, M. (2019). Impact of RSERVQUAL on customer satisfaction: A comparative analysis between traditional and multi-channel retailing. International Journal of Recent Technology and Engineering, 8(1), pp. 2917-2920.

XXXIII. Sivakoti Reddy, M., Venkateswarlu, N. (2019). Customer relationship management practices and their impact over customer purchase decisions: A study on the selected private sector banks housing finance schemes. International Journal of Innovative Technology and Exploring Engineering, 8(7), pp. 1720-1728.

XXXIV. Sivakoti Reddy, M., Murali Krishna, S.M. (2019). Influential role of retail service quality in food and grocery retailing: A comparative study between traditional and multi-channel retailing. International Journal of Management and Business Research, 9(2), pp. 68-73.

XXXV. Sivakoti Reddy, M., Naga Bhaskar, M., Nagabhushan, A. (2016). Saga of silicon plate: An empirical analysis on the impact of socio economic factors of farmers on inception of solar plants. International Journal of Control Theory and Applications, 9(29), pp. 257-266.

XXXVI. Suhasini, T., Koneru, K. (2019). Employee engagement through HRD practices on employee satisfaction and employee loyalty: An empirical evidence from Indian IT industry. International Journal of Engineering and Advanced Technology, 8(4), pp. 1788-1794.

XXXVII. Suhasini, T., Koneru, K. (2018). A study on employee engagement driving factors and their impact over employee satisfaction - An empirical evidence from Indian it industry. International Journal of Mechanical Engineering and Technology, 9(4), pp. 725-732.