

Complaint Handling and Shoppers' Response Outcomes: An Investigation in the Context of Online Retail

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Abstract

Marketer-initiated approaches to relationship marketing have grown in prominence in the recent years majorly as a result of an understanding by firms that customer retention is more advantageous than constantly seeking new customers. The proven benefits of relationship building further account for a greater willingness on the part of online retail firms to seek customer loyalty and commitment. On the other hand, the competitive nature of products that are offered online and the benefits in the form of convenience, comparison, ease of use, and global choice have made shoppers less tolerant towards service/ product shortfall. It is in this backdrop, the present study examines the complaint handling by service providers and the resultant post-complaint satisfaction as the basis for developing loyalty and relationship behavior of online shoppers. Using the survey approach and questionnaire design, responses were obtained from 138 online retail shoppers. The results of the study provide useful insights and lend strong support to the important role of complaint handling in positively affecting shoppers' post-complaint satisfaction which in turn, significantly contributes towards their behaviour and relationship commitment. In all, due attention to the areas of improvement identified in the present work will help the online retail firms in designing more effective complaint handling systems to address consumers' negative experiences and foster long-term relationship with them in future.

Keywords: Complaint handling, post-complaint satisfaction, Loyalty and relationship behaviour

Introduction

With the entry of new players, the Indian retail industry has emerged as a dynamic and fast-paced industries contributing to more than 10 per cent of the country's GDP and around 8 per cent of the employment (India Brand Equity Foundation, 2018). The presence of affluent middle class, rapid urbanization and internet growth has resulted in the rapid evolution of the online retail sector. According to a report by The Confederation of Indian Industry (CII& Deloitte, 2016), online retail is estimated to reach US\$ 100 billion by 2020. The accelerated pace of change and the severity of competition have brought about a new era of precision retailing,

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affecting both consumers and retailers significantly. Customers have become increasingly sensitive towards the recognition or tolerance levels of the performance of the product or service delivery. However, despite taking utmost care, there still exists a possibility of market offerings falling short of consumers' expectations resulting in consumer complaints and consequent dissatisfaction. It has been observed that in such a scenario, customers either switch or spread a negative referral to prospective buyers. All this can be detrimental to retention rates, profitability of the firm and image of the organization. Further, a firm that does not take care of its own consumers takes a huge risk of losing them to competitors. Complaint handling thus, is an important action of service providers that focuses at solving customer grievances and bringing back

displeased customers (Taleghani et al., 2011).

The literature on Relationship Marketing and Consumer Complaint Behaviour (CCB) proposed various responses to dissatisfaction. Regardless of whether the consumer's dissatisfaction is with goods, services or relationships, possible consumer responses are quite likely to be the same. In this regard, exit and voice (word-of-mouth communication or a complaint) are well established as the cornerstones of complaining behaviour, along with negative word-of-mouth and third party action (Singh, 1988). According to Smith et al. (1999) and Fornell and Wernerfelt (1987), the management of complaints is embedded within the broad domain of customer relationship management. It not only gives an opportunity to firms to fix their operational flaws, take lessons from negative instances and retain dissatisfied customers, but also eventually helps them in building customer trust, satisfaction and loyalty. Furthermore, complaints serve as a rich source of valuable information to firms to make continuous improvements in their product/ service quality.

However, empirical evidences find that not all companies handle customer grievances in an effective manner (Estelami, 2000). Similar views have been expressed by Tax et al. (1998) who stated that "many firms are not well informed on how to deal successfully with failures". As a result, it has been observed that majority of customers disapprove of the company after going through the service complaint process (Hart et al., 1990), thereby necessitating the need for companies to improve their system of complaint resolution.

The need to develop effective complaint management system has become all the more pronounced in an online shopping environment wherein the consumers do not have any direct contact with the firm and exhibit a different shopping behaviour (Shankar et al., 2003; Teo, 2006). The uncertainty

and risk associated with shopping in an online platform as well as new forms of service failures present in an online environment make consumers more vulnerable and thus calls for an active action on the part of online retailers to not only prevent problems from occurring, but also resolving them even when they occur. Reiterating the importance of quick and efficient complaint handling, the study by Del Duca et al. (2011) state that consumers become sceptical about online shopping if they do not feel confident that their problems will be resolved quickly.

Complaint Handling: The Conceptual Framework

Complaint handling system aims at solving customers' problem and improving service performance, occupies a center stage in the service recovery of any organization. An organization's complaint handling includes all those strategies that the firm uses to reconcile and acquire knowledge from product/ service failures so that the firm's reliability gets reinforced (Hart et al., 1990). In the present work, the complaint handling practices are conceptualized to include an organization's problem-solving orientation and policies as well as the operational competence of its employees in handling complaints.

• Problem-Solving Orientation

The role of problem-solving orientation of service providers has been assigned due importance by several researchers in the past. As posited by Singh and Sirdeshmukh (2002), problem-solving can be understood as the motivation on part of an organization's management to forecast and adequately reduce the problems faced by the consumers. Due to the heterogeneity and intangibility of service products, problems may occur frequently and it is the way in which such problems are handled by the service providers that

helps in penetrating into the nature of the service providers (Kelley and Davis, 1994; Smitch et al., 1999). All through the service consumption process, consumers observe the evidences of problem solving orientation and utilize the same to create judgments about service provider. In this regard, Goodwin and Ross (1992) suggested that character and swiftness of company's effort majorly affect problem-solving perceptions. Similarly, Smith et al. (1999) found that a major cause of dissatisfaction is failure in the process of service delivery by employees.

Service literature offers theoretical and experimental evidences in support of proposing problem solving as a distinctive factor in customer judgments. Calantone et al. (1998) emphasized the aspect of problem-solving as "behaviours that are supportive, integrative, need oriented and focus on information exchange". Accordingly, Zeithaml and Bitner (2003) suggested a definite requirement of training of service employees for problem solving. For effective recovery skills it is important that one should hear customer's complains, take steps, indentify solutions and improvise.

• Operational Competence

Competent performance has been testified as a pre-requisite for customers' favourable response and repeat transaction in a variety of business relationship contexts (e.g. Sako, 1992). For instance, while a retailer's knowledge has been found to be an important indicator of consumer's trust (Doney and Cannon, 1997), it has also been revealed that the perception of role competence exerts a strong influence on the concerned customer's willingness to invest in the relationship (Smith and Barclay, 1997). The present work extends this notion in terms of a service provider's operational competence and conceptualizes it as the competent execution of visible behaviours or service in action. Further, it is considered to be distinct from the management policies and practices or the inherent competence

of employees. As employee behaviors and organizational practices are the basis for formation of competence judgment, such operational focus seems suitable. For example, sales personnel may have the required understanding or skill to perform a task but this should also be substantiated through his behaviour such as providing assistance to customers in choosing the right product. From the process perspective, complaint handling involves a series of events wherein the procedure begins with communication of complaint, followed by the interaction between the disputants and finally ends with a decision. According to the Justice literature, each step of the procedure duly considers the fairness aspect and results in a justice episode (Bies, 1987). Accordingly, researchers have considered the perceived justice of complaint handling as a multifaceted construct encompassing three dimensions, viz., distributive, interactional and procedural justice (Clemmer, 1993; Smith, Bolton and Wagner, 1999).

Complaint Handling and Shoppers' Response Outcomes: Linkages and Impact Assessment

From the relationship perspective, the ultimate goal for a firm is to intensify relationships further by converting indifferent customers into loyalists (e.g. Rauyruen and Miller, 2007). Effective complaint handling can be one of the ways that can be exercised by a service firm to not only strengthen its relationship with the customers but also to enhance its reputation owing to the fact that customers tend to be favourably disposed towards those companies that listen to them. More so, as customers expect that the company should manage their complaint in a specific way and provides them with adequate compensation, treating customers fairly and according to their expectations would obviously enhance their post-complaint satisfaction and loyalty behaviour. Various studies (Fornell and Werenerfelt, 1987; Kelley et al., 1993; Reichheld, 1993) have

also revealed that when complaint handling is done effectively, it can have drastic improvement in consumer retention, reduction in the negative word of mouth and increase infirm performance. Some of the key response outcomes examined by studies in the past include: re-patronage intentions (Blodgett et al., 1997), perceptions of fairness (Goodwin and Ross, 1992), negative word-of-mouth (Blodgett et al., 1997), satisfaction with the encounter (Smith et al., 1999; Smith and Bolton, 2002), satisfaction with complaint handling (Tax et al, 1998), overall satisfaction and repurchase intentions (Clemmer, 1993; Maxham and Netemeyer, 2002). Just as satisfaction is regarded as the central mediator of post purchase behaviour, satisfaction with complaint handling too could be the mediator that links perceptions of complaint handling to post complaint attitudes and behaviours. Some of the recent studies in the context of online retail environment have also found customers complaint satisfaction and loyalty to differ across consumer demographics (e.g. Cambra-Fierro and Melero-Polo, 2017).

Research Objectives

Recent years have witnessed a shift in researchers' attention from examining the online purchase behaviour of consumers towards focusing more on understanding their post-adoption/repurchase behaviour in an online format (Kim and Son, 2009). However, despite the renewed interest, studies exclusively examining customers' evaluation and perceptions of how the company responds to complaints and in turn how redressal influence the customer association with the firm are only a few, and even fewer in the context of online retail. The present study makes an attempt to bridge this gap and conducts an empirical analysis to:

(i) Understand shoppers' perception of complaint handling by firms in online retail.

(ii) Examine the impact of complaint handling practices on shoppers' complaint satisfaction.

(iii) Analyze the mediating role of post-complaint satisfaction in affecting the linkage between complaint handling and loyalty and relationship behavior.

(iv) Assess if there exists a difference in loyalty and relationship behavior of satisfied versus dissatisfied shoppers.

Methodology

The study investigates complaint handling by online retail firms and the subsequent linkages of the same with shoppers' response outcomes such as satisfaction with complaint handling, word-of-mouth recommendation, loyalty and relationship behavior. While the study used secondary data sources for developing the conceptual framework; the survey method was adopted to collect primary responses through a well-designed structured questionnaire. The context being online retail, the chosen sample for the study comprised of online shoppers who were given the flexibility to provide their responses with respect to any one organization/brand with which they had have encountered any problem in last three-month period. Using snowball sampling, respondents were identified and approached for their voluntary participation in the survey. A total of 158 shoppers participated in the survey of which 128 samples are used for analysis.

In addition to the background information about the respondents, the three sections of the questionnaire sought responses pertaining to primary measures namely, complaint handling, post-complaint satisfaction and loyalty and relationship behaviour. The study adopted the pre-validated scales after suitable modifications for all the measures (Table 1). With respect to complaint handling, the research design of this paper refers to studies by Bailey (1994), Blodgett et al. (1997), Tax and

Brown (1998), and Sirdeshmukh et al. (2002). The merged scale comprising of 13 items was then used to capture aspects related to policies and procedures concerning complaint handling, problem-solving orientation of the firms as well as operational competence of employees in handling complaints. For measuring shoppers' post-complaint satisfaction, the items were adopted from the studies by Bitner and Hubbert (1994), Tax et al. (1998) and Maxhem and Netemeyer (2003). Finally, the scale for loyalty was largely taken from the study by Sirdeshmukh et al. (2002). In order to tap variation in description of shoppers' perceptions and experiences, responses for all the measures were obtained on a seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). Data obtained were screened, coded and entered in SPSS version 21.0. Data purification resulted in non-inclusion of 20 responses and a final sample of 138 responses was obtained. Though small, the sample constituted the complainants and so was considered appropriate for the present work. The profile revealed majority of the respondents in the age group of 18-30 years (58%), followed by respondents in the age bracket of 31-40 years (34%). There were a higher percentage of male respondents (62.7%). With respect to education, occupation and income, most of the respondents were post-graduates (59.3%), in service (53.4%) and belonged to the higher income group, earning more than Rs. 50,000 per month (51.7%). In all, the sample comprised mainly of young, male, highly qualified, high earning, working people having service as their occupation. Using SPSS version 21.0, the data set was analyzed using statistical techniques such as ANOVA, correlation and regression analysis.

Findings and Discussion

• Analysis of Reliability and Shoppers' Perception

Table 1: Reliability Analysis and Mean Perception Scores (in Appendix)

The cronbach alpha value of more than 0.60 for all the measures used in the present work support the reliability and internal consistency of the scale items (see Table 1). An overall high mean score (4.84) for complaint handling is indicative of the favourable perception of shoppers' with respect to handling and processing of customer complaints by online retail firms. High mean score (4.95) for post-complaint satisfaction too indicate that customers feel satisfied with the way complaints are handled and this subsequently gets reflected in their loyalty and relationship behaviour. However, assessments of item means suggest the areas of further improvement, specifically in relation to the aspects that reveal relatively low mean value. For instance, in order to further strengthen their complaint handling, firms can lay greater focus on having stringent guidelines to record and handle complaints in a structured manner with proper communication of the problem and the reasons for its occurrence. Similarly, investing in training programs to improve employees' response to customer complaints may be useful in winning back customers and cultivating better personal relationship with them in future.

• Impact of Complaint Handling on Shoppers' Post-Complaint Satisfaction

Before ascertaining the influence of complaint handling on post-complaint satisfaction, an association between the three primary constructs (namely, complaint handling, post-complaint satisfaction, and loyalty and relationship behavior) was examined using correlation analysis. The results are provided in Table 2a below.

Table 2a: Correlation Matrix (in Appendix)

Table 2b: Influence of Complaint Handling on Post-Complaint Satisfaction (in Appendix)

As observed from Table 2a, all the constructs are found to be positively and significantly correlated to each other. More specifically, complaint handling is found to be more strongly correlated with post-complaint satisfaction ($r=.697$) than loyalty and relationship behavior ($r=.586$). Further, a stronger association of post-complaint satisfaction with loyalty and relationship behavior ($r=.626$) indicates that the firms in online retail may focus on providing post-complaint satisfaction through efficient handling of complaint in order to win their loyalty and relationship commitment.

Having established the association, the study examined the influence of complaint handling on shoppers' post-complaint satisfaction using regression analysis. The results presented in Table 2b reveal complaint handling as a significant predictor of the dependent variable (i.e. post-complaint satisfaction).

• Mediating Role of Post-Complaint Satisfaction

In the next stage, two-step regression analysis was conducted to examine the mediating role of post-complaint satisfaction in affecting the relationship between complaint handling and shoppers' loyalty and relationship behavior. Loyalty and relationship behavior (Y) was first regressed on complaint handling (X). In the second step, satisfaction as a mediator variable was added and the regression was re-run with two predictor variables. The changes in the regression coefficients of the independent variables in Regression 2 vis-à-vis those obtained for Equation 1 indicate the presence of mediating impact of satisfaction (see Table 3). It is further revealed that complaint handling along with satisfaction as a mediator variable is able to explain a higher portion of variation in loyalty (i.e. around

43 percent) than in the case when mediating variable was not included in the analysis (34 percent).

Table 3: Mediating Impact of Post-Complaint Satisfaction (in Appendix)**Table 4: Difference in Loyalty and Relationship Behaviour (in Appendix)****• Variation in Loyalty and Relationship Behaviour of Satisfied and Dissatisfied Shoppers**

Based on their mean response score, the shoppers were divided into two groups – satisfied (mean score more than 4) and dissatisfied (mean score less than 4). To assess if there exists any variation in the loyalty and relationship behavior of satisfied and dissatisfied shoppers, ANOVA was performed. The results presented in Table 4 indicate significant variation in the loyalty and relationship behavior between two groups of consumers.

Conclusion, Limitations and Future Research Directions

Findings of the present paper are consistent with the past researches in establishing the pivotal role of complaint handling in affecting post complaint satisfaction and the resultant relational outcomes. In addition to providing empirical evidence of the close association of complaint handling with relationship marketing, the results lend support to the view that complaints provide firms with an opportunity to improve. The process of resolving complaints effectively subsequently drives consumers' attitude and behaviour. Through a comprehensive investigation of shoppers' perceptions of complaint handling followed by online retail firms, the present research provides valuable inputs that can be used by online retail firms to offer a more accessible and responsive redressal to complainants.

On the basis of the findings, communication (mean response 4.99) emerges as an important avenue for establishing understanding between consumers and

online retailers, Prompt responses and satisfactory explanation of failures therefore can be used as effective means to have a favourable experience with customers. To further strengthen the employee-customer communications, firms should incorporate training in complaint handling as an important part of an employee's induction. Efforts can be taken to provide training in a variety of skill areas and topics involving company policies, warranties, interpersonal communication, the art of listening and anger management.

Second, the complaint handling procedures can be made more effective by empowering contact service personnel. This would help in addressing key aspects of complaint procedures such as speed, accessibility and convenience. At the same time, given the risk and uncertainty embedded in service encounters, assurance in the form of service guarantees can be used by firms to assist the consistent and efficient processing of complaints.

Third, as customers usually tend to be dissatisfied with their complaint handling experiences, it is important for companies to evaluate their complaint handling processes and outcomes in terms of 'justice and fairness'. By being sensitive towards the costs/ loss incurred by customers and taking steps to lower the same, companies not only exhibit fair interactions and procedures but also enhance the probability of reaping the desired effect of such efforts on shoppers' perceptions, satisfaction and commitment for the service provider.

Last but not the least, due focus should be assigned on providing better customer service in comparison to competing firms. This can be done by matching their product/ service offerings more closely to customer requirements as well as by ensuring proper and effective management of product inventory, orders, and billing. Due efforts should also be made to convince consumers that online purchasing is safe and provide shoppers confidence that they can

approach the retailer whenever a problem arise.

The limitations of the present work provide scope for future researchers. As a first step, the future studies may use advanced statistical techniques to validate the suggested relationships. By investigating varied types of online retail and service/ product settings with a larger and more varied sample in future, studies may present interesting insights and improve the generalizability of research findings. Another limiting aspect is that the study has examined the linkages between three primary constructs i.e. complaint handling, post-complaint satisfaction and loyalty and relationship behavior only. Researches in future may explore other related constructs such as value, and can examine the effect of demographic elements (age, income, occupation) in influencing shoppers' complaint, advocacy and commitment. It would also be worthwhile to refine the measures for their use in replicative studies in future.

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Appendix

Table 1: Reliability Analysis and Mean Perception Scores

Construct	No. of Items	Alpha	Item Description	Item Mean
Complaint Handling	13	0.937	• Complaint handling better than anticipated	4.78
			• Clearly defined guidelines	4.60
			• Instructions to record complaints in structured manner	4.68
			• Fast forwarding of complaints	4.64
			• Providing reasonable account of problem/failure	4.56
			• Quick response to complaint	4.87
			• Adaptive complaint handling procedures	4.78
			• Due response	4.86
			• Fair outcomes	4.99
			• Accurate complaint information	4.76
			• Just and fair treatment	5.13
			• Policies favouring customers' interest	5.27
			• Complaints answered in time	4.83
		Overall Mean	4.84	
Post-Complaint Satisfaction	5	0.710	• Satisfactory processing/ handling of complaint	4.77
			• Satisfied with the personal attention received	5.13
			• Employees were keen to solve problem	4.94
			• Satisfied with employees behavior/ response to complaint	4.94
			• Procedures explained satisfactorily	4.97
		Overall Mean	4.95	
Loyalty and Relationship Behaviour	9	0.863	• Recommend to others	5.48
			• Continue to buy	5.53
			• Committed to relationship	4.83
			• Loyal customer	5.14
			• Hard to leave	4.41
			• Too few options to leave	4.47
			• Relationship has personal meaning	4.79
			• Proud to belong to this organization/ brand	4.87
			• Pleasant experience	5.09
		Overall Mean	4.95	

(Source: Primary Data)

Table 2a: Correlation Matrix

		Complaint Handling	Post-Complaint Satisfaction	Loyalty and Relationship Behaviour
Complaint Handling	Pearson Correlation Sig. (2-tailed)	1		
Post-Complaint Satisfaction	Pearson Correlation Sig. (2-tailed)	.697** .000	1	
Loyalty and Relationship Behaviour	Pearson Correlation Sig. (2-tailed)	.586** .000	.626** .000	1

**Correlation is significant at the 0.01 level (2-tailed).(Source: Primary Data)

Table 2b: Influence of Complaint Handling on Post-Complaint Satisfaction

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.220	.267		8.326	.000*
Complaint Handling	.563	.054	.697	10.482	.000*

Adjusted R-Square=.482, F=109.87, Sig.=.000
Dependent Variable: Post-Complaint Satisfaction, *significant at 0.005 level

Source: Primary Data

Table 3: Mediating Impact of Post-Complaint Satisfaction

Independent Variables	Regression 1			Regression 2		
	Standardized Beta Coefficients	t-value	prob ¹	Standardized Beta Coefficients	t-value	prob ¹
Complaint Handling	.586	7.786	.000*	.290	2.968	.004*
Post-complaint Satisfaction	--	--	--	.424	4.337	.000*
Overall Results	Adjusted R-Square=.338, F value= 60.624, Sig.=.000			Adjusted R-Square=.426, F-value= 44.369, Sig.=.000		

Dependent Variable: Post-Complaint Satisfaction, *significant at 0.005 level

Source: Primary Data

Table 4: Difference in Loyalty and Relationship Behaviour

	N	Mean	Std. Deviation	F- Value	Sig.
Satisfied Shoppers	110	5.128	.94046	35.273	.000*
Dissatisfied Shoppers	18	3.500	.85303		

Source: Primary Data