

COMPLAINT RESOLUTION AND CUSTOMER SATISFACTION: AN EMPIRICAL STUDY OF TWO WHEELER INDUSTRY IN INDIA

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Abstract

Because of the relevance and potential for insight generation, complaint resolution lies at the heart of a firm's efforts towards customer satisfaction. Where satisfaction with a service or service provider may be a strong incentive for customers to maintain or increase current retention rate, dissatisfaction with a service or service provider may be a strong incentive to exit from the interaction. The research objective of present study was to study the relationship between complaint resolution and customer satisfaction. The data was collected from 312 respondents and statistical techniques used for analysis were correlation and regression analysis. The results of the study revealed that all four dimensions of customer's satisfaction with complaint resolution process, i.e. consumer time, consumer effort, attributes of retailer's representatives and compensation were found to be significantly impacting customer satisfaction. The results of correlation analysis revealed that all dimensions, i.e. consumer time, consumer effort, attributes of retailer's representatives and compensation of customers' satisfaction with complaint resolution process were significantly correlated with customer satisfaction.

Keywords: *Complaint Resolution, Customer Satisfaction, Two Wheeler Industry, India*



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1. Introduction and Review of Literature

Customers are the focal point of marketing, profitability, long term growth, products, sales, services and strength of business firms. It has become quintessential to understand needs, preferences and behaviour of customers. Customers' satisfaction with complaint resolution process focuses on measuring consumer satisfaction/dissatisfaction with complaint resolution process of business firms. There are four dimensions of the construct, i.e. consumer time, consumer effort, attributes of retailer's representatives and compensation. Customers' satisfaction with complaint resolution process construct used was conceptualised by (Richard & Hicks, 1997). A high customer satisfaction index of firms provides an impetus to future growth of business firms.

Because of the relevance and potential for insight generation, complaint resolution lies at the heart of a firm's efforts towards customer satisfaction. In the present times, losing a customer

can cost very dearly to a firm considering the high cost of customer acquisition. As part of relationship marketing today, due to the high cost of acquisition, firms first prefer to focus on the retention of existing customers followed by acquiring new ones. Where satisfaction with a service or service provider may be a strong incentive for customers to maintain or increase current retention rate, dissatisfaction with a service or service provider may be a strong incentive to exit from the interaction (Andreassen, 1999). Successful marketing strategy includes complaint management as its essential component (Fornell & Wernerfelt, 1988).

(Ballantyne & Varey, 2008) emphasised on the increasing relevance of value in exchange. The author also emphasised on the evolution of value in exchange from the earlier concept of value in use. As per the pre-industrial logic, there was focus on value in use only. According to the authors, service refers to “an interactive process of doing something for someone that is valued”. Moreover, service was responsible for raising the level of relationship building with a customer. The authors referred to goods as “service appliances through which customers derive their value in use”. Service dominant approach was a step towards facilitating key relationships in the exchange process.

2. Research Methodology

The research design of the study was descriptive. The relationship between complaint resolution and customer satisfaction was measured using two constructs, i.e. customer’s level of satisfaction with complaint resolution process and customer satisfaction. The customer’s level of satisfaction with complaint resolution process construct has been conceptualised by (Richard & Hicks, 1997). In their study, the authors developed a scale to measure consumer satisfaction/dissatisfaction with the complaint resolution process of business firms. The authors have postulated that well managed complaint resolution processes have a positive impact on its market share and profitability. Moreover, the authors have strongly emphasised that the satisfaction/dissatisfaction arising from the complaint resolution process of a business firm is more important than the satisfaction/dissatisfaction arising from the initial purchase of product or service. Hence, it becomes imperative to handle the complaint resolution process in the right manner and ensure satisfied customers. Customer satisfaction construct as conceptualised by (Homburg & Fürst, 2005) was used. Self administered questionnaire was designed to collect data from customers and respondents were selected on the basis of systematic sampling. Respondents were selected from among customers visiting the dealership centre locations during the chosen time intervals in order to eliminate the sampling frame errors and to ensure

the representation of population under study in the sample units. Data was collected from 312 respondents. The statistical techniques used for analysis included correlation analysis and regression analysis. Prior to analysis of the results, the research instrument was tested for its reliability. Internal consistency was estimated using a reliability coefficient called Cronbach's alpha (Cronbach, 1951). The results of reliability analysis using Cronbach's alpha are as shown in Table 1. The four dimensions of customer's level of satisfaction with complaint resolution process construct had reliable values of Cronbach's alpha. The three items used to measure customer satisfaction construct had reliable value of Cronbach's alpha.

Table 1: Reliability indices for customer's satisfaction with complaint resolution process and customer satisfaction

Construct	Sr. No.	Dimension	Cronbach's Alpha (α)
Customers' satisfaction with complaint resolution process	1	Consumer time	0.805
	2	Consumer effort	0.967
	3	Attributes of retailer's representatives	0.856
	4	Compensation	0.942
Customer satisfaction	1	-	0.955

2.1 Research Objective

The research objective of study was to study the relationship between customer's level of satisfaction with complaint resolution process and customer satisfaction.

3. Findings and Analysis

To explore the relationship between customer satisfaction and dimensions of customers' satisfaction with complaint resolution process, two statistical techniques were used, i.e. correlation and regression analysis followed by hypotheses testing. Customer satisfaction was the dependent variable and dimensions of customers' satisfaction with complaint resolution process were the predictor variables for regression analysis.

3.1 Correlation analysis

The relationship between customer satisfaction and dimensions of customers' satisfaction with complaint resolution process was first investigated using Pearson correlation. Table 2 shows the results of correlation analysis. Preliminary analysis revealed that there were no violations of the assumptions of linearity and homoscedasticity, and all associations were found to be

significant at 99 per cent level, with the strongest association being attributes of retailer’s representatives and customer satisfaction ($r=0.733$, $p<0.01$).

Table 2: Correlation of customer satisfaction and dimensions of customers’ satisfaction with complaint resolution process

	Consumer time	Consumer effort	Attributes of retailer's representatives	Compensation
Customer satisfaction	0.646**	0.630**	0.733**	0.715**

1) Pearson Correlation

2) **Correlation significant at 0.01 level

3.2 Regression analysis

To explore the relationship between customer satisfaction and dimensions of customers’ satisfaction with complaint resolution process, linear regression model was applied. To examine the fit of the regression model and to discover the best predictors of customer satisfaction, regression analysis was applied with the dimensions of customers’ satisfaction with complaint resolution process as the predictors. In terms of the relationship between customer satisfaction and four dimensions of customers’ satisfaction with complaint resolution process, the adjusted $R^2=0.583$ was found to be statistically significant. As shown in Table 3, all four dimensions of customers’ satisfaction with complaint resolution process, namely, consumer time, consumer effort, attributes of retailer’s representatives and compensation were statistically significant ($p<0.05$). In addition, compensation dimension had the greatest effect on customer satisfaction followed by attributes of retailer’s representatives, consumer time and consumer effort.

Table 3: Regression model summary: Customer satisfaction and dimensions of customers’ satisfaction with complaint resolution process

Model	R	R ²	Adjusted R ²	Std. error of the estimate
	0.767	0.588	0.583	1.461

3) Independent variable: Dimensions of customers’ satisfaction with complaint resolution process scale

4) Dependent variable: Customer satisfaction

5) R² refers to the coefficient of determination that measures the proportion of the variance in the dependent variable that is explained by the independent variables.

Table 4: Regression analysis: Customer satisfaction and dimensions of customers' satisfaction with complaint resolution process

Variable	Constant	Beta	t-value	Significance value
Constant	4.259	-	11.618	0.000
Consumer time	-	0.128	2.121	0.035*
Consumer effort	-	0.119	2.038	0.042*
Attributes of retailer's representatives	-	0.313	4.060	0.000*
Compensation	-	0.281	4.036	0.000*

- 1) Beta co-efficient is the standardised regression co-efficient which allows comparison of the relatives on the dependent variable of each independent variable.
- 2) t-statistics help to determine the relative importance of each variable in the model.

The values of the variance inflation factor (VIF) and tolerance value (TV) for the linear regression model are presented in Table 5. As indicated in Table 5, the values of VIF, which served as an indicator of multicollinearity, ranged from 2.549 to 4.435. These values were far below the cut-off value of 10. In addition, it could be seen that the tolerance values for each independent variable are closer to one which indicates there is no evidence of multicollinearity. In other-words, there is no significant evidence of multicollinearity problem in the regression model as presented.

Table 5: Multicollinearity statistics: Dimensions of customers' satisfaction with complaint resolution process

Dimension	Tolerance value (TV)	Variance inflation factor (VIF)
Consumer time	0.366	2.729
Consumer effort	0.392	2.549
Attributes of retailer's representatives	0.225	4.435
Compensation	0.277	3.608

Dependent variable: Customer satisfaction

The mathematical representation for above regression model of relationship between customer satisfaction and dimensions of customers' satisfaction with complaint resolution process as predictors is as follows:

$$\text{Customer satisfaction} = 4.259 + 0.128 (\text{Consumer Time}) + 0.119 (\text{Consumer Effort}) + 0.313 (\text{Attributes of Retailer's Representatives}) + 0.281 (\text{Compensation})$$

3.3 Hypotheses testing

The measurement of relationship between customer satisfaction and dimensions of customers' satisfaction with complaint resolution process also included the testing of following hypotheses.

H1: There is significant relationship between customer satisfaction and customers' satisfaction with complaint resolution process

H1a: There is significant relationship between customer satisfaction and consumer time dimension of customers' satisfaction with complaint resolution process

H1b: There is significant relationship between customer satisfaction and consumer effort dimension of customers' satisfaction with complaint resolution process

H1c: There is significant relationship between customer satisfaction and attributes of retailer's representatives dimension of customers' satisfaction with complaint resolution process

H1d: There is significant relationship between customer satisfaction and compensation dimension of customers' satisfaction with complaint resolution process

Table 4 shows the results of hypotheses testing. The results indicate that the hypotheses H1a, H1b, H1c and H1d are supported. It shows that customer satisfaction had significant relationship with all four individual dimensions of consumers' satisfaction with complaint resolution process construct, i.e. consumer time, consumer effort, attributes of retailer's representatives and compensation. It was also revealed that compensation dimension was the best predictor of customer satisfaction followed by attributes of retailer's representatives, consumer time and consumer effort.

4. Conclusion and Managerial Implications

The results of relationship between customer satisfaction and dimensions of customer's satisfaction with complaint resolution process showed that all four dimensions of customer's satisfaction with complaint resolution process, i.e. consumer time, consumer effort, attributes of retailer's representatives and compensation were found to be significantly impacting customer satisfaction. The results of correlation analysis revealed that all dimensions, i.e. consumer time, consumer effort, attributes of retailer's representatives and compensation of customers' satisfaction with complaint resolution process were significantly correlated with customer satisfaction. The results of hypotheses testing revealed that customer satisfaction had

significant relationship with four dimensions of customers' satisfaction with complaint resolution process, namely, consumer time, consumer effort, attributes of retailer's representatives and compensation.

5. Limitations and Directions for Future Research

Research has its limitations and this study is no exception. Although an attempt was made to be as scientific as possible while designing the study, but the present study has got some limitations. The limitation concerns the nature of the measures used. The measures included in this research were all based upon the perceptions of the participating respondents. Therefore, the potential for data inaccuracies due to item misinterpretation or predisposition to certain responses on the part of the participant does exist.

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