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**The relationship between organizations' response to customer complaints, customer trust,
and loyalty**

By

Abimbola Ajibola

A Thesis Submitted in Partial Fulfillment of the Requirements for the Degree of
Master of Arts

In the

Department of Communication Studies

Minnesota State University

Mankato, Minnesota

July 2021

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Abstract

The purpose of this quantitative study was to examine the relationship between organizations' responses to customer complaints and their effects on customer loyalty and trust. Four hypotheses were established for this study to help us gain a greater understanding of the dynamics of the responses to customer complaints and their relationship with trust and loyalty. Five independent variables (apology, timeliness, explanation, compensation, and dialogue/active listening) and two dependent variables (trust and brand loyalty) were used to test the hypotheses. An online survey was conducted through Qualtrics and data were collected from participants who were students at a Midwestern University. Facebook was also used to recruit participants and it generated responses from different countries including the United States, United Kingdom, India, Nigeria, and South Korea. A total of 179 respondents completed the online survey, however, only 101 responses were considered useful for the analysis. The results showed that there was a significant relationship between organizations' response to customer complaints (through dialogue and active listening), and brand loyalty and trust. This indicates that an increase in dialogue and active listening will significantly strengthen the level of trust and loyalty. The findings will enlighten organizations to be more aware of how they respond to their customers' complaints. Helping organizations know the benefits of effectively handling customer complaints can increase their productivity and profitability.

Chapter One: Introduction

With the increase in global competition customer expectations are important because they help contribute to the quality of services offered by any organizations (Parasuraman et. al., 1991). However, challenges are faced by organizations on how to constantly provide exceptional products and quality services to customers due to unforeseen circumstances, mistakes and failures which bring about frequent complaints from customers (Babakus et al., 2003).

While product failures can threaten customers' trust, how organizations should respond in these situations can have a great impact on the customers' cognitive and behavioral responses towards the organization. It is therefore paramount for organizations to develop strategies for handling customer complaints. Effective responses to customer complaints are important for several reasons.

The first reason why effective response to customer complaints is important is that it increases customer satisfaction (Bolkan et al. 2010; Cambra-Fierro et al. 2015). According to Cambra-Fierro et al. (2015), satisfaction is the end goal of an effective brand response to customer complaints but vary from one individual to another. Cambra-Fierro et al. believe that despite the same approach of handling customer complaints used by an organization, the level of satisfaction is likely to differ due to individual differences. However, satisfaction may be increased for most customers when the benefits and compensations correspond with the loss of the customer (Cambra-Fierro et al., 2015). When concerns are expressed by customers, organizations are being triggered to do better with their services and a positive response from such organizations can increase customers' satisfaction thereby increasing further business transactions between both parties.

The second reason why effective responses to customer complaints is important is its ability to increase an organization's reputation and profitability. Ye et al. (2008) confirm the power of effective brand responses in their study by arguing that it is key in building the reputation of any organization. This signifies that organizations who effectively respond to their customers' complaints are positively perceived by customers. Cambra-Fierro et al. (2015) also suggest in their findings that when satisfaction is fulfilled, an organization's profitability and reputation may be impacted. Hence, in order for organizations to be successful, substantial work is required to retain customers by giving ears to their complaints. This will help increase the profitability of the organization and expand their market growth (Hart et al., 1990).

The third reason why effective response to customer complaints is important is that it helps organizations to retain customers. Bolkan et al. (2012) in their findings argue that organizations need to take customer complaints seriously and handle them effectively as any form of mistakes on the part of the organization may lead to loss of customers who are more likely to spread negative word of mouth due to their dissatisfaction. When complaints are unresolved, the complainants may seek for better services elsewhere which may result in unfavorable consequences for the organization such as loss of customers (Keller, 1993). Hence, organizations who effectively handle customer complaints have a strong ability to retain customers which will further have a huge impact on the organization's productivity and profitability (Simon & Tossan, 2015)

Finally, when a customer has a bad shopping experience with an organization such as poor handling of complaints, it can lead to a lack of trust in an organization (Kim et. al, 2010). The long-term implication is that when trust is absent in a relationship such as marketing, the ability to stay faithful to the organization also disappears as no individual is willing to re-

patronize a non-trustworthy organization. It may also lead to negative reviews which may also be used by other customers to form perceptions about such organizations. Hence, organizations who have the opportunity to respond to customer complaints should endeavor to do so due to the strong benefits involved.

Gap in Literature

Over the past years, although many marketing researchers have focused most of their attention on different aspects of consumer behavior such as how social media is used in promoting online marketing (Vohra & Bhardwaj, 2019; Lis & Horst, 2013), the power of the electronic word of mouth including negative reviews (Goodrich & Mooij, 2014; Wang 2012; Jones et al, 2018), the effects of perceived trust on electronic marketing and the effects of satisfaction on consumers' behavioral intentions (Vora and Bhardwaj, 2019; Arli 2017; Casalo et al. 2007; Kim et al. 2010; Wang, 2011), there has been minimal research on organizations' responses to customer complaints and their impact on consumer trust and loyalty.

Given these gaps stated above, the purpose of this research is to examine the relationship between organization's response to customer complaints and its effect on customer loyalty and trust. The findings of this study will help provide some theoretical and practical implications of the impact in the ways customer complaints are being handled. This will also give room for organizations to be more cognizant of customer needs and be open to finding more ways to satisfy their needs. The next section reviews all relevant literature ranging from customer complaints, organizations' response to customer complaints, customer, and brand loyalty. The proposed hypotheses will also be discussed. The last three chapters will focus on the methods used for collecting and analyzing the data, the results, and the discussion of the findings.

Chapter Two: Review of Literature

This section focuses on the conceptualization of customer complaints based on previous literature, key strategies for effective response to customer complaints, and customer trust and loyalty. This will help determine the relationship between consumer trust, loyalty, and organizations' responses to customer complaints.

Customer Complaints

A customer complaint is seen as an expression of displeasures or disappointment after a purchase, poor services or being in contact with an unjust marketer (Kowalski, 1996; Hansen et al. 1997). It is also seen as strategies used by consumers to manage negative transactions that occur between the buyer and the seller or can be used to control emotions experienced during the event (Ramos et al. 2017). Furthermore, customer complaints can be in form of verbal and nonverbal behaviors that help express negativity experienced during a purchase (Singh & Howell, 1985).

When complaints are made by customers, they either expect a positive change in their current situations or complaints may be made out of anger and displeasure to spite the service provider. Most times, the intentions behind making complaints is to make organizations address the poor service situation by providing solutions that are encouraging such as exchanging a product or providing the customer with a refund. However, some are only bent on damaging the reputation of an organization by revenging with negative reviews. Organizations should note that customer complaints are inevitable in any service industry because mistakes are bound to occur due to low-quality products, poor customer service etc. (Levy, et al. 2013). However, as inevitable as mistakes can be, they can also be amended through effective responses from the organizations involved.

Bolkan et al. (2010) advises that organizations should cherish their customers as they are seen as indispensable to the growth and success of any organization. If strategically handled, organizations can make conflicts-handling work in their favor by sustaining a long-lasting relationship and good reputation with customers. Literature on brand responses to customer complaints presents timeliness, apology, explanation, dialogue, and active listening, as some of the strategies involved in effectively responding to customer complaints.

Non-Interactive Approaches

Several studies have suggested that the following response approaches are effective for responding to customer complaints. For the purpose of this study, non-interactive approaches may involve actions which are seen as communicating directly from one party without the need of engaging the other parties involved. In responding to customer complaints, organizations engage in the use of timeliness, compensation, explanation, and apology (Johnson et al. 2011; Einwiller & Steilen, 2014; Song et al. 2012; Blodget et. al, 1997; Gruber 2011).

Timeliness

Song et al. (2012) state that one of the ways by which organizations can make amends to customer complaints is by responding in a timely manner in order to prevent escalation of the complaints. Timeliness or speedy responses to customer complaints have been known to increase customer satisfaction and has a high capability of influencing satisfaction with responses from organizations and also give room for re-purchase intentions from the complainant. (Dickinger & Bauernfeind 2009; Mount & Mattila, 2000). According to Gruber (2011), speed of response can be linked to the theory of procedural justice which is of the view that efforts made by organizations to respond to customer complaints is usually evaluated through the manner in which an organization is able to address the service failure in a prompt way. Responding on time

makes the customer feel special and is assured that they matter to the organization (Johnson et al, 2011). Einwiller and Steilen (2014) argue that timeliness helps save time, economic resources, and stress. This means that it saves the customer from anxiety and emotional stress of already making a bad purchase. It also helps organizations to maintain their image and may help increase their profitability and expand their market in the future (Einwiller & Steilen, 2014). Having a speedy response to service failures also indicates that the organization fully takes responsibility for the shortcomings and is willing to provide a positive solution to the problem in due time. On the other hand, delayed responses or no response from the organization signifies that the organization does not accept the blame put forward by the complainant and may be unwilling to address the situation (Blodget et al, 1997).

Compensation

Compensation is another strategy which can be in form of giving discounts to the complainant on their next purchase, refunding the total amount paid for the poor product or services rendered or making sure that the products are adequately replaced or repaired to meet the customer's expectations. (Einwiller & Steilen, 2014). By offering these forms of compensation that are equivalent to their loss helps satisfy the complainants.

Explanation

Another strategy suggested for responding to customer complaints is explanation. Explanation entails the ability to give a proper clarification for the failure that occurred and making sure all is done to provide solutions to the problems (Davidow, 2000). An organization must be able to provide detailed explanation of what went wrong with the service delivery as this is seen as one of the effective ways a service provider can employ to resolve service failures (Lewis & Spyropoulos, 2001). If complainants are unable to receive convincing explanations

as to what went wrong, they remain dissatisfied with the overall services rendered by the organization and may also affect the overall image of the organization. This can make them switch organizations to the ones they feel might be an alternative and hope to receive a better service from the new provider. Many customers leave an organization when they perceive that they no longer feel safe or satisfied with such organization which can have a negative impact on the organization. Satisfaction and future purchases by complainants is the outcome of effectively providing adequate explanations and proofs of service failures (Davidow, 2000; Mwangi et al., 2019). Sparks and Bradley (2017) also suggest that the organization should take effective actions to resolve conflicts by specifying and ensuring clarity for the benefit of both parties. An organization that goes silent to customers' complaints may lose customers, thereby affecting the profitability of the firm (Chan & Guillet, 2011). When customers express their complaints and receive positive explanations from organizations, they tend to feel satisfied and safer with the service provider which signifies the importance of trust in customer complaint handling.

Apology

This is another strategy used by organizations to respond to customers. Sparks and Bradley (2014) suggested that feedback may be given to the customer in form of appreciative comments to the customer or an apology in a way that recognizes that the blame is accepted by the provider and is willing to take all responsibilities for the actions. Davidow (2000) also describe an apology as a sign of being remorseful to the other party who is being offended and this signifies that the other party has accepted the complaints and willing to address it effectively for the benefit of both parties. Apologies or responding in an empathic way by organizations can reduce the anger felt by a dissatisfied customer as this makes them feel comfortable that their frustration is being considered (Min et al., 2015). Karatape and Eriz (2004) linked the equity

theory to brand complaints response stating that when complainants evaluate the efforts of service providers in handling complaints, they weigh what they are able to derive. This means that customers who lodge complaints weigh the responses and efforts made by the organization to determine if it is proportion of the service failure (Davidow, 2000).

Interactive Response Approaches

In addition to the non-interactive approaches used by organizations to respond to customer complaints. Interactive approaches are approaches that engage the other customer. (Eisenberg et al., 2017; Black, 2008; Gruber, 2011) which makes dialogic communication and active listening essential components in this regard.

Dialogue

In order for organizations to prove to dissatisfied customers that they are being heard, there must also be open communication among parties which must be in form of dialogue. Dialogue is a form of open communication that allows parties to effectively understand and deal with each other (Black, 2008; Buber, 1947). Dialogue also gives great importance to interpersonal communication, production of meanings from conversations, and makes room for empathetic relations (Taylor & Kent, 2014). Dialogic communicators in any organization have to strategically deal with complaints in a way that favors both parties while also considering the goals and interests of the firm (Eisenberg et al., 2017). Dialogue is divided into four features and they include mindful communication, equitable transaction, empathic conversation, and real meeting. According to Eisenberg et al., communicating mindfully allows both parties to recognize how each person feels and is willing to consider the matters being addressed. It involves being more conscious of our dealings with others and ensuring to reflect more on situations before giving final decisions or responses. Eisenberg et al. believe that by being

mindful of our communication with others, we tend to be more conscious which may earn us integrity and also give room for exchange of ideas. Essentially, organizations need to be mindful of the feelings of their customers by allowing them to voice their dissent freely. When mindful communication occurs, there is a tendency to manage crisis effectively, thereby avoiding further escalation.

Dialogue can also occur as an equitable transaction when all parties involved in communication have equal chances of expressing their opinions. An organization must allow the complainants to express their dissent in an appropriate manner without any fears of being intimidated or ignored. When dissatisfactions are appropriately expressed, the complainants feel secure about expressing how they feel to the organization whenever dissatisfaction arises instead of keeping silent or switching brands in future (Eisenberg et al., 2017).

The next feature of dialogue is empathetic conversation which involves stepping into the shoes of the other person and viewing the situation through their lens. When a customer files a complaint, he is dissatisfied and feels less happy about the product or service. The organization on the other hand must recognize that this is bound to happen due to individual differences and must be able to feel the pains of the dissatisfied customer and make things right. Gruber (2011) argues that empathy displayed to the consumer must clearly show that the emotions of these affected customers are being well-understood and considered. Taylor and Kent (2014) also believe that empathetic communicators are able to identify their beliefs and values and recognizes that the other party in dialogue has different beliefs and values and is willing to reach a compromise for the overall peace of the relationship. One of the most effective ways of responding to customer complaints is an empathy statement issued by the organization which indicates remorsefulness (Min et al., 2015).

Finally, dialogue as real meeting can be seen when genuine conversations occurs between parties recognizing all individuals involved as whole beings (Eisenberg et al., 2017). Buber (1947), describes parties involved in a real meeting as a relationship occurring between two people “I” and “Thou” where both parties acknowledge their existence in a communication. In essence, both parties are seen as the interpreters and as such, no one is being reduced to an object of mere interpretation. Eisenberg et al. further stress that the key ingredient to maintaining a relationship under real meeting is respect for both parties’ subjective worldviews. To establish real meeting, organizations must learn to engage in communication as a dialogic process that occurs between and among individuals rather than as something, we do to one another.

Active Listening

Active listening is another essential component of effective brand response. Gruber (2011) argues that the most essential attribute organizations need to look out for when responding to customer complaints is active listening. For McNamara (2016), active listening is the approach or techniques employed by organizations to give recognition, attention, interpretation, understanding and consideration to its stakeholders. Brownell (2013) divides active listening into six stages and describes them in a model identified as HURIER. The first stage is hearing which involves accurate reception of sounds by focusing all attention and eliminating all external interferences. The second stage is understanding which involves the ability to comprehend the speaker’s message as a whole. This entails listening to what is being said till the end without interrupting to ensure that the interpretation is accurate. The third stage is remembering which deals the ability to recall information in a message by engaging the use of the short and long-term memories. This can be done through writing down what is heard for future reference or making use of visual aids for retentive memory (Jonsdottir & Fridriksdottir,

2020). At the fourth stage, interpretations of messages are done. Listeners must observe the speakers' verbal as well as non-verbal communication so that adequate interpretation can be given to a speaker's message and be able to see things from the speaker's point of view. The fifth stage helps listeners evaluate the speaker's messages. Past experiences, personal values and our predispositions may influence our judgement on other's perspectives. The most ideal thing to do is to make use of the validity of the message, credibility of the source and logical reasoning. Brownell (2013) suggests that objectivity should be pre-requisites in making wise evaluations. The final stage is responding which involves the outcome after a message has been delivered. Effective listeners must analyze the communication situations at hand and employ an appropriate response to suit the situation (Brownell, 2013).

According to Drollinger et al. (2006), active listening also involves the ability to rephrase a speaker or complainant's statement for the purpose of confirmation. Drollinger et al. categorize active listening into sensing, processing, and responding, which means that an organization must first listen to the complainant (sensing), make meaning out of the complaint (processing) before replying to whatever problem that has been identified (responding). Drollinger et al. also believe that of the three listening dimensions, responding is the most important because it sends a positive or negative signal to the complainant. When organizations fail to respond to complaints, the customer is uncertain whether sensing and processing were adequately done by the organization. Hence, when the problem is being paraphrased in a way that the organization understands best, it shows that active listening has taken place. This makes the complainants feel important that their concerns are being treated fairly and considerably. In all, organizations must be able to prove to dissatisfied customers their ability and efforts to effectively handle their

complaints through engaging in different strategies which may help enhance customer trust (Gruber, 2011).

Trust

Several researches have been conducted on the concept of trust and studies have come up with different definitions to describe the word (Pennanen, 2011). Chen (2006) defines trust as the confidence built on another party who is expected to perform effectively. Trust should be seen as a common agreement or shared feeling that all parties involved will not take advantage of each other's weaknesses (Barney & Hansen, 1994). For Ku (2012), trust is a set of principles that portray how individuals in partnership should act towards one another which must meet the standards of the society such as honesty, capacity, and generosity. The explanation behind all these is that trust is visible when promises are adequately fulfilled without taking advantage of other parties in a relationship. The present study focuses on how organizations respond to customer complaints; hence, it identifies how consumers' trust can be earned through effective responses from organizations.

Consumer Trust in the Organization

According to Grabner-Kraeter (2002), consumer trust has been viewed by social psychologists as certain expectations regarding how business transactions should be conducted. Trust promotes an intention to purchase and helps eliminate fears associated with financial obligations (Burtner & Goritz, 2008). Specifically, customer trust can be increased through customer satisfaction and the company's reputation. Casalo et al. (2007) describe consumer trust as occurring in stages. The first stage based on the reputation of the brand perceived by the consumer which normally happens during the exploration period. The second stage is the trust based on previous experiences which the consumer analyzes while already committed to the

seller. Here, the consumer may either choose to keep purchasing products of the same organization based on their previous experience. Similarly, Grabner-Kraeter argue that trust may be seen as subjective. This indicates that people's personal experiences as well as the overall characteristics of an individual shape how trust is formed.

Consumer trust has been seen as an important factor in building and maintaining exchange networks between organizations and parties involved (Morgan & Hunt, 1994). Effectively responding to customer complaints leads to consumer trust which helps increase an organization's profitability, loyalty from customers and an ability to retain such customers (Revilia-Camacho, 2017).

There are certain factors that influence consumer trust and they are divided into two namely: credibility and benevolence (Revilia-Camacho, 2017). For Revilia-Camacho, perceived credibility and benevolence are assessed through communication. Thus, it is possible that response to customer complaints could influence the perception of trust. In essence, perceived credibility allows a person, or a group of people to work in a way that portrays them as reliable while benevolence allows the consumers to have faith in the service provider that they believe have their best interest at hand and is willing to sustain the relationship. However, several studies are yet to provide a relationship between organizational response to customers and trust.

When customer complaints are made, the complainant expects a positive response from the organization which signals to the customer the reliability and trustworthiness of the organization. Thus, leading to the following hypothesis:

H1: Organizations' responses to customer complaints can predict trust in an organization.

RQ1: Is the non-interactive response approach or the interactive response approach the stronger predictor of customers' trust in an organization?

If customer complaints can predict trust in an organization, it may also lead to long lasting relationships between the customer and the organization. The next topic discusses brand loyalty and the relationship between brand loyalty and customer complaints.

Brand Loyalty

Brand loyalty has been defined in various ways by researchers in the past.

Punniyamoorthy and Raj (2007), view brand loyalty as a marketing relationship where the customer has been able to develop a substantial amount of psychological attachment to a brand. Brand loyalty can also be considered as a repetitive purchase behavior by a customer after a satisfactory encounter with an organization (Sasmita & Mohd-Suki, 2015). Seric and Saura (2012) believe that consumers tend to establish loyalty towards a brand when a positive output is perceived which can enhance their preference over other brands. Furthermore, brand loyalty usually occurs as a result of a mental purchase process as well as a consistent behavior exhibited by a consumer who is considered to have purchased more than one product (Chaudhuri et al., 2001). In essence, brand loyalty can only occur among customers who have consistently shopped with an organization and has had satisfactory encounters with such organizations. Loyal customers are important to the growth of any firm due to their ability to buy more products, increase productivity of the organization, engage in positive word of mouth and are willing to pay more for their services (Kuenzel, 2010).

Brand loyalty has been divided into various categories by researchers. Nam et al (2011) categorizes brand loyalty into: behavioral and attitudinal loyalty. Behavioral loyalty deals with the consistency of purchases while attitudinal loyalty deals with the psychological commitment and effort put in by a consumer to repurchase and recommend others to the organization (Nam et al., 2011).

When customer complaints are being positively handled, there is a tendency for customers to prefer the brands to other brands based on the product quality and the overall hospitality received (Bolkan, et al., 2012). Hence, a second hypothesis is proposed:

H2: Organizations' responses to customer complaints will be related to customers' loyalty towards the organization.

RQ2: Is the non-interactive response approach or the interactive response approach the stronger predictor of customers' loyalty toward the organization?

Chapter Three: Method

Procedure

With IRB approval, participants were recruited through SONA and Facebook. SONA is a research system that provides extra-credit to students for taking part in a research study. Researchers using SONA have electronic accounts that help to keep track of those who have participated in the research and to what classes the credits should be applied. For this study, 1 extra-credit point was provided for the students who participated, and they were recruited from a midwestern University in the United States. Participants recruited through Face book were provided with a link to the survey on the Facebook page of the researcher and participants were also encouraged to share the post with the link on their pages for others to take the survey. The researcher used Qualtrics.com to host the surveys and it took approximately 10-15minutes to complete.

Participants

A total of hundred and seventy-nine respondents participated in the study. Participants who did not contact customer service to talk about their complaints had their participation terminated. Hence, a total of one hundred and one responses were considered for the data analysis. In regard to sex, 44.6% (45) were males while 55.4% (56) were females. The average age of the respondents was 27.08 (SD= 8.43). In terms of Ethnicity, participants were Whites, (40.6% or n=41), African or African American (45.5% or n= 46), Asian (9.9% or n=10), American Indian or Alaska Native (1.0% or n=1), Other (3.0% or n=3). The country of residence of participants as at the time of the survey include: United States (76.2% or n= 77), United Kingdom (9.9% or n=10), Nigeria (11.9% or n=12), India 1.0% or n=1), South Korea (1.0% or n=1).

Measures

Based on the themes discussed in the literature and the hypotheses discussed, five independent variables that were identified included apology, timeliness, compensation, explanation (non-interactive responses) and dialogue/active listening (Interactive responses). Two dependent variables, trust and brand loyalty were also identified. The following scales were used to measure these variables:

Non-interactive Response Approaches- Apology, Timeliness, explanation, Compensation (Independent Variables)

To measure the non-interactive response approaches which include variables such as apology, timeliness, compensation and explanation, the researcher created scales based on the scales of Baer and Hill (1994). The scale consists of 15 Likert-scale items which is divided into four subscales- Apology (4 items), Timeliness (4 items), Compensation (3 items), Explanation (4 items). The items were measured on a five-point scale (1 = Strongly Disagree, 2 = Agree, 3 = Neither Agree nor Disagree, 4 = Agree, 5 = Strongly Agree). The higher the score on the scales, the higher was the level of agreement with a response. The Cronbach alpha for the 4 items of apology is .88. The Cronbach alpha for the 4 items of timeliness is .89. The Cronbach alpha for the 4 items of explanation is .89. The Cronbach alpha for the 3 items of compensation is .92. The means and standard deviations for all the variables are presented in Table 1 (See Appendix E). All the sub-scales are also provided in appendix A.

Interactive Response Approaches- Dialogue and Active listening (Independent Variable)

Dialogue and active listening constitute the interactive response approaches and they were created based on the works of Eisenberg et.al, (2017) and the HURIER model developed by Brownell (2013). The items in the scale were developed based on the four features of dialogue

which include mindful communication, equitable transactions, empathetic listening, and real meeting (Eisenberg et al., 2017). The items based on the HURIER model which consists of the six stages of active listening (hearing, understanding, remembering, interpreting, evaluating, and responding) were also included in the scale. A total of 24 items were developed to assess dialogue and active listening. Dialogue and active listening variables were combined as one scale because of the strong correlation between the two variables, which raised concerns about multicollinearity. The scale was used to measure the effectiveness of an organization's response to customer complaints based on interactions between both parties. The entire scale can be found in Appendix B. The items were measured on a five-point scale (1 = Strongly Disagree, 2 = Agree, 3 = Neither Agree nor Disagree, 4 = Agree, 5 = Strongly Agree). The higher the score on the scales, the stronger was the level of agreement to the nature of responses exhibited by a customer service representative towards a customer. The Cronbach alpha for dialogue/active listening scale is .97. The mean and standard deviation are presented in Table 2 (See Appendix F).

Trust (Dependent Variable)

A 5-item consumer trust scale grounded in the organizational trust scale of Delgado-Ballester, (2011) was used to measure the level of trust in an organization. The entire scale can be found in Appendix D. A five-point Likert-type scale was used to measure participants' responses (1 = Strongly Disagree, 2 = Agree, 3 = Neither Agree nor Disagree, 4 = Agree, 5 = Strongly Agree). The higher the score on the scales, the stronger was the trust in an organization. The Cronbach alpha is .97. The mean and standard deviation are further presented in Table 4 (See Appendix H).

Brand Loyalty (Dependent variable)

A 7-item brand loyalty scale grounded in the work of Stoian and Tugulea (2012) was used to measure the loyalty of a customer in an organization. The entire scales can be found in Appendix C. The items were measured on a five-point scale (1 = Strongly Disagree, 2 = Agree, 3 = Neither Agree nor Disagree, 4 = Agree, 5 = Strongly Agree). The higher the score on the scales, the stronger was the level of loyalty and psychological attachment of the customer to the organization despite the product/service failure. The Cronbach alpha is .97. The mean and standard deviation are further presented in Table 3 (See Appendix G).

Chapter Four: Results

The variables for this study includes five independent variables (Apology, timeliness, explanation, compensation, and dialogue/active listening) and two dependent variables (trust and brand loyalty). Correlation and regression were used to analyze data. Correlation between all the independent variables and the dependent variables were calculated and results can be seen in the table 2, Appendix F.

Analyses of Hypotheses.

H1- Organizations' Response to Customer Complaints Can Predict Trust in An Organization

For hypothesis one, it was proposed that organizations' responses to customer complaints can predict trust in an organization. After running a regression analysis, results showed that dialogue and active listening had a significant relationship with trust and had the highest tendency to predict trust in an organization. As shown by the unstandardized coefficients (Table 3, Appendix F), organizations' response to customer complaints positively predicted trust in an organization ($b = .13$; $p \leq .001$) which means that responding to customer complaints through increased use of dialogue and active listening will lead to increased trust in the organization. Also, timeliness was found to be a significant predictor of trust ($b = .34$; $p = .06$) which also indicates that promptly responding to customer complaints predicted trust in an organization. However, no significant relationship existed between apology, explanation, compensation, and trust. Hence, hypothesis one was partially supported because not all the variables significantly related to predicting trust in the organization. More information about the unstandardized regression coefficients, standardized regression coefficients, model significance, R^2 and adjusted R^2 values are provided in Table 3 (See Appendix F).

RQ1- Is the non-interactive response approach or the interactive response approach the Stronger Predictor of Customer's Trust in the Organization?

Since it was predicted in hypothesis one that response to customer complaints will predict customer' trust in an organization, research question one proceeded in finding out which variable is the strongest predictor of trust in an organization. After running a regression analysis between the non-interactive response variables (apology, timeliness, compensation, explanation) and the interactive response variables (dialogue-active listening), the results showed that dialogue and active listening was the strongest predictor of customers' trust in an organization ($\beta = .42$; $p \leq .001$) as shown by the standardized coefficient in table 3, appendix F. Hence, the nature of response (dialogue and active listening) is the stronger predictor of customers' trust in an organization.

H2- Organizations' Response to Customer Complaints can Predict Loyalty in an Organization

Hypothesis two stated that organizations' response to customer complaints can predict how loyal a customer will be to an organization. After running a regression analysis, the results showed that dialogue and active listening also had a significant relationship with brand loyalty and had the highest tendency to also predict loyalty to an organization. The unstandardized coefficients ($b = .16$; $p \leq .001$) (Table 4, Appendix F) show that responding to customer complaints through increased use of dialogue and active listening will lead to increased loyalty to an organization. Timeliness was also found to be significantly related to loyalty ($b = .61$; $p = .02$) which also indicates that responding in a timely manner to customer complaints can predict loyalty to an organization. However, no significant relationship was found between apology, explanation, compensation, and brand loyalty. Hence, hypothesis two was also partially supported because not all the variables can predict brand loyalty to the organization. More

information about the unstandardized regression coefficients, standardized regression coefficients, model significance, R^2 and adjusted R^2 values are provided in Table 4 (See Appendix F).

RQ2- Is the non-interactive response approach or the interactive response approach the Stronger Predictor of Customer's Loyalty in the Organization?

Hypothesis two proposed that organizations' responses to customer complaints can predict loyalty to an organization and was partially supported because only two variables significantly related to loyalty. For research question two, dialogue and active listening was the strongest predictor of loyalty to the organization. Table 4 in Appendix F showed that dialogue and active listening had the strongest predictive powers ($\beta = .36$; $p \leq .001$) as shown in the standardized coefficients. Hence, the nature of response was the stronger predictor of loyalty to the organization.

Chapter Five: Discussion and Conclusion

Theoretical Implications

The objective of this study was to test whether a relationship existed between organization's response to customer complaints, trust, and brand loyalty. This objective was further broken down into two hypotheses and two research questions which stated that an organization's response to customer complaints can predict trust and loyalty in an organization. The objective also helped determine which independent variable had the strongest relationships with the dependent variables. As reported, the results for hypothesis one showed that there was a significant relationship between organizations' response to customer complaints and trust as dialogue-active listening and timeliness were both significant predictors. The results for research question one showed that dialogue and active listening variable was the strongest predictor of trust in an organization. Thus, the results showed that an organization's response to customer complaints can indeed predict trust but more effectively through the use of communication which involves dialogue and active listening. According to Taylor and Kent (2014), dialogue brings out the great importance of interpersonal communication because it helps produce meanings in conversations and empathic situations. McNamara (2016) describes active listening as a technique that should be employed by organizations to give recognition and attention to its stakeholders. In essence, dialogue, and active listening may be seen as interactive means of maintaining closer relationships with a customer especially during conflicts. Hence, based on the result of this study, an organization which engages in effective communication with their customers are likely to gain the trust of the customers. Other variables such as apology, compensation and explanation were not significantly related to trust in this study. Although, several studies in the past have suggested the use of responses such as apology, timeliness,

compensation, and compensation as effective ways in responding to customer complaints (Johnson et al. 2011; Einwiller & Steilen, 2014; Song et al. 2012; Blodget et. al, 1997; Gruber 2011), it was not proven that the use of these responses by organizations can help increase customer trust. However, it may be the case that these non-interactive response approaches may be seen as more effective in responding to customer complaints if combined with effective communication with the customers. Also, timeliness was reported to have some significant impact on customer trust. Johnson et al., (2011) believe that when an organization responds to customer complaints on time, the customer is likely to feel special and rest assured that the organization has their interest at heart. Based on the results reported, this study also concludes that effective communication done in a timely manner may help predict trust.

Results reported for hypothesis two showed that there was a significant relationship between organizations' response to customer complaints and loyalty as dialogue and active listening and timeliness were significant predictors. Testing of research question two also revealed that dialogue and active listening variable was the strongest predictor of loyalty to an organization. This result also indicates that organizations' response to customer complaints can lead to customer loyalty to an organization through the effective use of communication such as dialogue and active listening. Timeliness also had some significant relationship with loyalty just like the case of hypothesis one. Previous researchers have explained some importance of timeliness in responding to customer complaints which this hypothesis supports . Timeliness or speedy responses to customer complaints have been known to increase customer satisfaction and has a high capability of influencing satisfaction with responses from organizations and also give room for re-purchase intentions from the complainant. (Dickinger & Bauernfeind 2009; Mount & Mattila, 2000). Surprisingly, other variables such as apology, explanation and compensation

were found to be insignificant in predicting loyalty. Again, based on the findings of this study, it is deduced that effective communication can help predict customer loyalty to an organization.

Overall, the findings of this study provides some meaningful theoretical and practical implications of the impact of customer complaints when they are effectively handled by organizations. This is because the results confirmed that people want to be acknowledged and listened to through meaningful interactions which is evident from the relationships of organizational responses with customer trust and loyalty.

The findings will also enlighten organizations to be more aware of their customers' needs as well as creating a continuous effort through meaningful communication to satisfy their needs. The findings of this study may also help researchers, students and people in the academia, specifically communication scholars who are interested in how customer complaints should be handled to explore and contribute more to the research regarding the use of effective communication for responding to customer complaints. Finally, organizations should train their customer service representatives in dialogue and active listening. This is because dialogue and active listening requires extensive efforts and time. Most organizations are in a hurry to get off the line with customers and are not willing to dedicate enough time to their customers' needs. However, training customer representatives in these interactive approaches would be a good strategy for organizations to have a rethink on.

Recommendations for Future Research

First, future research may focus more on investigating why dialogue and active listening are important variables in maintaining trust and loyalty in an organization's response to customer complaints and factors that may have influenced the outcome. Furthermore, this study helped stress the importance of effective communication in any conflict resolution which is evidenced

through dialogue and active listening. Hence, future studies may consider exploring other response or interactive approaches that may be seen as effective to responding to customer complaints. Non-interactive responses such as apology, compensation and explanation were surprisingly not regarded as significant to trust and loyalty based on the findings in this study which is contrary to past literature. Future research could explore and critically examine reasons why these non-interactive responses may not be considered effective in today's society for maintaining trust and loyalty in an organization. Future research could also expand on the research by recruiting more participants from different countries. This will help determine whether results will remain the same or different despite cultural and geographical factors. Finally, further research could also examine whether employing strategies such as apology, compensation, explanation, and timeliness using dialogue and active listening can increase trust and loyalty.

Limitations

This study yielded some promising outcomes such as reinforcing the importance of effective communication in any conflict situations such as customer complaints. Hence, this study also indicates the power of communication in forming and maintaining mutual relationships with people and the results should not be undermined. However, the study has some limitations.

First, the sample size was small and may not be considered sufficient enough for a topic of such a wide scope. Due to the Covid-19 pandemic, there was difficulty in recruiting enough participants. Of the 179 respondents attempted survey, only 101 completed and relevant surveys were used for analysis. In addition, there were some missing data which may have affected the results. Additionally, participants represented from other parts of the world constituted a small

part of the sample and may not be effective enough to make generalizations. The United States which had more participants in the sample was mainly represented by students of a Midwestern University. Hence, future studies should expand the sample size by representing more individuals from other parts of the United States as well as other parts of the world respectively.

Conclusion

The purpose of the study was to examine the relationship between organizations' response to customer complaints and its effect on customer loyalty and trust. The non-interactive responses (apology, timeliness, explanation, and compensation) and the interactive responses (dialogue and active listening) were considered as independent variables while trust and brand loyalty were considered as dependent variables. The results showed that organizations' response to customer complaints had a significant relationship with trust and loyalty with dialogue and active listening (interactive response approach) having the strongest relationship and timeliness also having some form of relationship with the two variables. This result helps confirm the efficacy of effective communication among individuals especially in conflict resolution. However, other variables such as apology, compensation and explanation had no significant relationship with trust and loyalty. Despite these non-interactive responses being relevant to responding to customer complaints in previous literature, this study was not able to confirm their effectiveness in maintaining trust and loyalty in organizations. The questions that were raised and still need further investigation include exploring further why non-interactive responses such as apology, compensation, and explanation are not strong predictors of maintaining trust and loyalty in an organization in today's world and identifying more communication variables that predict trust and loyalty in an organization.

Appendices

Appendix A

Brand Response Scale

Directions: *Have you ever purchased a product that you were not satisfied with?*

Did you call the company to express your dissatisfaction with the product?

Please indicate to what extent you feel the company's response fits the following criteria:

1. The customer service representative seemed remorseful for their product/service failure.	5	4	3	2	1
2. The customer service representative swiftly responded to my complaints.	5	4	3	2	1
3. The customer service representative apologized for the dissatisfaction that occurred.	5	4	3	2	1
4. The customer service representative accepted responsibility for their mistakes.	5	4	3	2	1
5. The customer service representative processed my complaint in a timely fashion	5	4	3	2	1
6. The customer service representative clearly explained the reasons for the product/service failure.	5	4	3	2	1
7. The customer service representative gave me a clear and direct response.	5	4	3	2	1
8. The customer service representative compensated me for the loss that I incurred.	5	4	3	2	1

9. The customer service representative was sorry for what happened.	5	4	3	2	1
10. The customer service representative responded quickly to me.	5	4	3	2	1
11. The company gave me adequate clarification for the product/service failure.	5	4	3	2	1
12. The company gave me adequate compensation for the product failure.	5	4	3	2	1
13. The customer service representative quickly addressed my complaint.	5	4	3	2	1
14. The company gave me a clear explanation of the solutions to the problem.	5	4	3	2	1
15. The customer service representative offered incentives to compensate for my loss.	5	4	3	2	1

Note: Items 1,3,4, and 9 comprise the apology response. Items 2, 5, 10, 13 comprise the timeliness response. Items 6, 7, 11, 14 comprise the explanation response. Items 8, 12, 15 comprise of the compensation response.

Appendix B

Dialogue and Active Listening Scale

Directions: Please indicate to what extent you feel the company's response fits the following criteria: (5= strongly agree; 4= agree; 3= undecided; 2= disagree; 1= strongly disagree).

1. The customer representatives recognized how I felt.	5	4	3	2	1
2. The customer service representatives understood my situation.	5	4	3	2	1
3. The customer representatives responded thoughtfully to my complaints.	5	4	3	2	1
4. The customer representatives were willing to consider my complaints.	5	4	3	2	1
5. The customer service representatives mindfully responded to my complaints.	5	4	3	2	1
6. The customer service representatives gave me the opportunity to express my dissatisfaction.	5	4	3	2	1
7. The customer service representatives validated my complaints.	5	4	3	2	1
8. I was allowed to freely express my dissatisfaction.	5	4	3	2	1
9. The customer service representatives were able to see my complaints through my lens.	5	4	3	2	1
10. The customer service representatives showed adequate concern for my dissatisfaction.	5	4	3	2	1

11. The customer service representatives treated with me respect.	5	4	3	2	1
12. The customer service representative was able to connect with me.	5	4	3	2	1
13. The customer service representatives weighed complaints from my own perspectives.	5	4	3	2	1
14. The customer service representatives treated me fairly.	5	4	3	2	1
15. The customer service representatives responded appropriately to what I was saying.	5	4	3	2	1
16. The customer service representative was able to relate to me.	5	4	3	2	1
17. The customer service representatives listened attentively to my complaints.	5	4	3	2	1
18. The customer service representatives did not interrupt me while I was speaking.	5	4	3	2	1
19. The customer service representative correctly captured my complaints.	5	4	3	2	1
20. The customer service representative correctly understood my complaint.	5	4	3	2	1
21. The customer service representative correctly interpreted what I was saying.	5	4	3	2	1

22. The customer service representatives did not have any misunderstanding about my complaints.	5	4	3	2	1
23. The customer service representative objectively evaluated my complaints.	5	4	3	2	1
24. The customer service representative provided thoughtful responses to what I was saying.	5	4	3	2	1

Notes: *Items 1 to 16 comprise the dialogue responses. Items 17 to 24 comprise the active listening responses.*

Appendix C

Brand Loyalty Scales

Directions: *Think of your shopping experience with the same company and choose the response that best fits (5= strongly agree; 4= agree; 3= undecided; 2= disagree; 1= strongly disagree).*

- | | | | | | |
|---|---|---|---|---|---|
| 1. I will purchase products from this company. | 5 | 4 | 3 | 2 | 1 |
| 2. I have recommended/will recommend this company to those who seek my advice. | 5 | 4 | 3 | 2 | 1 |
| 3. I have said or will say positive things about this company to other people. | 5 | 4 | 3 | 2 | 1 |
| 4. I have made or I am willing to make further purchases with the company. | 5 | 4 | 3 | 2 | 1 |
| 5. I have or will recommend the company's products to friends and family. | 5 | 4 | 3 | 2 | 1 |
| 6. I have considered or will consider this company my first choice when purchasing these types of products. | 5 | 4 | 3 | 2 | 1 |
| 7. My relationship with the company is now stronger than before. | 5 | 4 | 3 | 2 | 1 |

Appendix D

Consumer Trust Scale

Directions: *Think of your shopping experience with the same company and choose the response that best fits (5= strongly agree; 4= agree; 3= undecided; 2= disagree; 1= strongly disagree).*

1. I feel comfortable shopping with the company. **5 4 3 2 1**

2. I believe that the company has the interest of
customers in their dealings. **5 4 3 2 1**

3. The company can be relied on to keep promises. **5 4 3 2 1**

4. I am certain about further transactions with the
company. **5 4 3 2 1**

5. I feel safe re-patronizing the company **5 4 3 2 1**

Appendix E

Demographic Information

Gender

1. What is your gender?

- Male
- Female
- Other
- Prefer not to say

Age

2. What is your age?

Ethnicity

3. What is your ethnicity?

- White
- Black/African American
- Asian/Island pacifier
- Hispanic/Latino
- Native/Indian American
- Other

Appendix F
Tables and Figures

Table 1

Descriptive Statistics for all Variables.

Variables	Mean	SD	No. of items	Cronbach alpha
Apology	15.85	3.81	4	.88
Timeliness	15.56	4.00	4	.89
Explanation	14.73	4.09	4	.89
Compensation	10.68	3.82	3	.92
Dialogue/Act lis	95.24	20.00	24	.98
Trust	18.53	5.88	5	.97
Brand Loyalty	25.74	8.54	7	.97

Table 2

Correlation between the independent and dependent variables.

	1	2	3	4	5	6	7
Apology		.79**	.76**	.59**	.77**	.70**	.70**
Timeliness	.79**		.81**	.61**	.75**	.74**	.75**
Explanation	.76**	.81**		.49**	.73**	.71**	.69**
Compensation	.59**	.61**	.49**		.61**	.59**	.60**
Dialogue/Act	.77**	.75**	.73**	.61**		.78**	.75**
Trust	.70**	.74**	.71**	.59**	.78**		.93**
Brand loyalty	.70**	.71**	.69**	.60**	.75**	.93**	

Notes: Table 2 indicates that all variables are correlated on a significant level of 0.01

*p<.05; **p<.01

Table 3

Regression model for H1, RQ2.

Model	Unstandardized coefficients		Standardized coefficients		
	B	Std. Error	Beta	t	sig
Apology	-.009	.17	-.01	-.05	.96
Timeliness	.34*	.17	.23	1.94	.06
Explanation	.23	.16	.16	1.47	.14
Compensation	.18	.12	.12	1.49	.14
Dialogue/Act lis	.13**	.03	.42	4.12	.01

Notes: Table 3 indicates that dialogue/and active listening are significant at 0.01 and timeliness is also significant at .06.

*p<.05; **p<.01

Model	R	R Square	Adjusted Square	Std. Error of the Estimate
1	.83	.68	.66	3.42

Note: *Dependent variable: Trust

Table 4*Regression model for H2 & RQ2.*

Model	Unstandardized coefficients		Standardized coefficient		
	B	Std. Error	Beta	t	sig
Apology	.065	.26	.03	.25	.80
Timeliness	.61*	.26	.29	2.35	.02
Explanation	.24	.24	.11	1.00	.32
Compensation	.30	.18	.13	1.64	.10
Dialogue/Act lis	.16**	.05	.36	3.40	.01

Notes: Table 4 indicates that dialogue/and active listening are significant at 0.01 and timeliness is also significant at .02.

*p<.05; **p<.01

Model	R	R Square	Adjusted Square	Std. Error of the Estimate
1	.81	.66	.65	5.12

Note: *Dependent variable: Brand loyalty

Appendix G: SONA Consent Form

You are requested to participate in a research study on your experience with customer service conducted by Abimbola Ajibola, a graduate student in the Department of Communication under the guidance of Dr. Deepa Oommen from the Department of Communication Studies at Minnesota State University, Mankato. This survey should take about 15 minutes to complete. The goal of this survey is to understand your perceptions about the handling of customer complaints. If you have any questions about the study, please contact Dr. Oommen at (507) 389-2367 or deepa.oommen@mnsu.edu.

Participation is voluntary. You have the option not to respond to any of the questions. You may stop taking the survey at any time by closing your web browser. Your decision whether or not to participate will not affect your relationship with Minnesota State University, Mankato, and refusal to participate will involve no penalty or loss of benefits. If you have any questions about participants' rights and research-related injuries, please contact the Administrator of the Institutional Review Board at (507) 389-1242.

Responses will be anonymous. However, whenever one works with online technology, there is always the risk of compromising privacy, confidentiality, and/or anonymity. You are encouraged to use a secured internet connection when responding to the survey to avoid the exposure of your computer and vital information to others. You should also avoid responding to the survey in public places to prevent responses from being exposed to others. If you would like more information about the specific privacy and anonymity risks posed by online surveys, please contact the Minnesota State University, Mankato IT Solutions Center (507-389-6654) and ask to speak to the Information Security Manager.

The risks of participating are no more than that are experienced in daily life.

You will receive extra credits (1 point) for the participation. The research will also help in advancing knowledge and create more awareness on how organizations should handle customer complaints. Submitting the completed survey will indicate your informed consent to participate and indicate that you are at least 18 years of age. Please print a copy of this page for your future reference. If you cannot print the consent form, take a screenshot, paste it to a word document and print that.

IRBNet ID #: 1713158

Date of Minnesota State University, Mankato IRB approval: 02/16/2021

Do you agree to participate?

Appendix H Consent Form (Face book)

You are requested to participate in a research study on your experience with customer service conducted by Abimbola Ajibola, a graduate student in the Department of Communication under the guidance of Dr. Deepa Oommen from the Department of Communication Studies at Minnesota State University, Mankato. This survey should take about 15 minutes to complete. The goal of this survey is to understand your perceptions about the handling of customer complaints. If you have any questions about the study, please contact Dr. Oommen at (507) 389-2367 or deepa.oommen@mnsu.edu.

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Responses will be anonymous. The risks of participating are no more than that are experienced in daily life. However, whenever one works with online technology, there is always the risk of compromising privacy, confidentiality, and/or anonymity. You are encouraged to use a secured internet connection when responding to the survey to avoid the exposure of your computer and vital information to others. You should also avoid responding to the survey in public places to prevent responses from being exposed to others. If you would like more information about the specific privacy and anonymity risks posed by online surveys, please contact the Minnesota State University, Mankato IT Solutions Center (507-389-6654) and ask to speak to the Information Security Manager.

The research will also help in advancing knowledge and create more awareness on how organizations should handle customer complaints. Submitting the completed survey will indicate your informed consent to participate and indicate that you are at least 18 years of age. Please print a copy of this page for your future reference. If you cannot print the consent form, take a screenshot, paste it to a word document and print that.

IRBNet ID #: 1713158

Date of Minnesota State University, Mankato IRB approval: 02/16/2021

Do you agree to participate?

Appendix I

Face book Recruitment Script

Recruitment Script (To be sent via Face book)

I am Abimbola Ajibola, a graduate student in the Department of Communication Studies at Minnesota State University, Mankato. I am conducting a study on customer service experience for my thesis. Please consider taking part in the study by completing a survey, which will take approximately 15 minutes. Here is the link to the survey:

https://mnsu.co1.qualtrics.com/jfe/form/SV_cJg9xnmLDpSepDw

Please feel free to share this message along with the survey link on your profile page for others who may be interested in participating in this study.

IRBNet ID #: 1713158

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