

Relationship between Complaint Management and Customer Retention

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Abstract

Objective: The study aims at examining the relationship between complaint management and customer retention.

Research Methodology: The primary data was collected from guests visiting five star and five star deluxe hotel in NCR through a structured questionnaire and regression analysis was applied to examine the relationship.

Findings: The study found that there exists a positive relationship between complaint management and customer retention.

Proposed Utility: The study will help the hotels to understand the significance of handling and resolving complaints and its relationship with customer retention.

Key Words: complaint management, customer retention, problem solving, hospitality industry

Introduction

Hospitality Industry is experiencing a vigorous growth pattern which brings aggressive competition with all the service providers selling homogeneous products. So, in this era of rivalry competition and demanding customers satisfying customers and then retaining them for long run has become very difficult. There are many factors which can lead to customer retention like customer satisfaction, quality service, customer relationship management, customization and effective complaint handling. Complaints are a part and parcel of hospitality Industry and customer expects complaints to be handled politely, patiently with a prompt resolution. If the complaints are accepted in a pleasing manner and the staff patiently listens and attends to the customer problems it helps in making the customer feel valued. By solving the customer complaints hotels also get an opportunity to earn their loyalty.

Literature Review

Leal & Pereira in 2003 in their study concluded that in the current scenario of aggressive competition customer has abundant alternatives to choose from even more than his/her expectations and the rivals also try to attract customers by offering various incentives. **Komunda & Osarenkhoe** in 2012 in similar

context concluded that in order to reduce the risk of switching to competitors customer retention is the unavoidable vaccine.

Ogbeide, G.C.A., Boser, S. Ottenbacher, R.J in their study in 2015 promulgated that there are many determinants of customer satisfaction, customer retention and positive word of mouth marketing. Out of those factors one significant attribute is effective complaint management which includes welcoming the guests' complaints with a smile and understanding their problems and the aptness in resolving and handling the complaints. The study also recognized the importance of frontline staff in implementing complaint management efficiently by properly embracing, handling and resolving the complaints.

Eccles & Durand in 1998 in their study highlighted the importance of complaining customers by stating that the customers who raise complaints personify loyal customers and firms should try to handle the complaints effectively which will help in retaining them.

In this rigorous competitive environment where the customer has multitude of choices and substitutes available in the market the risks of deplorable services are higher as the customer makes comparisons and the role of effective complaint management becomes even more critical. **Lovelock & Wirtz**, 2011.

Furthermore, **Stauss and Schoeler** (2004) in their study furnished strong pragmatic evidence that there exists a positive relationship between effective complaint management and customer retention. The researchers also confessed the significance of complaint management in terms of customer relationship management and that the complaint information can be beneficial in quality improvement. The study concentrated on complaint management profitability and concluded that managers are lacking knowledge is this concept and tried to provide them a practical method to measure the profitability that can be earned through effective complaint management.

In this study the researcher has made an attempt to recognize the relationship between these two significant variables complaint management and customer retention.

Research Methodology

Objective

The primary objective of the study is to examine the relationship that exists between complaint management and customer retention.

Data Collection

Secondary data has been collected by reviewing research papers, research articles, case studies, books, proceedings of the conferences etc. Primary data has been collected through a structured questionnaire which

was pre tested. To achieve the objectives of the study the questionnaire has been divided into three parts. The first Part A has been made to collect the diverse demographic details of the respondents. Part B of the questionnaire comprises of the questions related to complaint management. Part C of the questionnaire consists of questions related to customer retention.

Survey Sample

The survey sample includes the guests visiting five star and five star deluxe hotels in Delhi, Gurgaon, Noida and Faridabad. A total of 700 questionnaires were sent to five star and five star deluxe properties in NCR and we got back 600 questionnaires out which 525 were complete and worth using for analysis.

Hypothesis

The objective of this study is to identify the relationship that exists between complaint management and customer retention in the hotel industry. To this end, two hypotheses have been developed:

H₀1: There is no significant relationship between complaint management and customer retention.

H₁: There is a significant relationship between complaint management and customer retention.

Data Analysis and Discussion

Table: 1

MODAL SUMMARY OF REGRESSION BETWEEN COMPLAINT MANAGEMENT AND CUSTOMER RETENTION				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.591 ^a	.349	.348	.70516
a. Predictors: (Constant), Complaint Management				
b. Dependent Variable: Customer Retention				

The regression table above shows that there is significant relationship between complaint management (independent variable) and customer retention (dependent variable). The higher value of R (.591) indicates a positive relationship between the two variables.

The value of R square shows the proportion of variance in customer retention accounted for by effective complaint handling 34.9%. It indicates that if complaint management is effective and the problems of customers are solved in an efficient way then 34.9% chances of positive change in customer retention are

there. So, hotels should concentrate on the complaint management of the customers as it further helps in retaining them.

Table: 2

ANOVA TABLE OF REGRESSION BETWEEN COMPLAINT MANAGEMENT AND CUSTOMER RETENTION						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	139.584	1	139.584	280.708	.000 ^b
	Residual	260.065	523	.497		
	Total	399.650	524			
a. Dependent Variable: customer retention						
b. Predictors: (Constant), complaint management						

In the above table the value of F and the associated p value indicate the strength of overall relationship between complaint management and customer retention. As the f value is not very high it indicates that complaint handling is not the only factor responsible for customer retention many other factors play their role.

Table: 3

VALUE OF ANOVA COEFFICIENT OF REGRESSION BETWEEN COMPLAINT MANAGEMENT AND CUSTOMER RETENTION						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.291	.159		8.138	.000
	complaint management	.685	.041	.591	16.754	.000
a. Dependent Variable: customer retention						

From the value in the above table in which the constant value is 1.291 and the complaint management coefficient is .685. So, the regression equation comes out to be

$$\text{Customer Retention} = 1.291 + .685(\text{complaint management})$$

Therefore, null hypothesis H01 is rejected and the alternate hypothesis H1 is accepted that effective complaint handling leads to customer retention.

Conclusion

If the complaints of customers are handled and resolved in a prompt way and with a smiling face it helps in creating a special position in the minds of customers and earning their loyalty and retention. The study in

line with the previous studies proved a significant relationship between complaint management and customer retention. Hotel Industry needs to strengthen the complaint handling system like by welcoming complaints patiently, providing prompt resolution and trying to solve them even when it is not hotel's responsibility. So, the researcher through the findings of this study wants to recommend hotels that effective complaint management can be helpful in retaining customers.

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