

Customer Perception of Time and Complaint Outcome during the Service Recovery Process

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Past research has not been conclusive regarding the impact of “time” on customer evaluation of service recovery efforts. This study aimed to determine the relative importance of ‘customer time’, ‘complaint handling time’ and ‘complaint outcome’ as they influenced the evaluation of banks service recovery efforts in a South American country, Chile. To address these objectives, two studies were undertaken in the context of an exploratory sequential mixed methods design employing focused interviews and a survey. The first component of the design consisted of 25 focused interviews of Chilean customers of the retail banking industry. Hycner’s (1999) 11 step process was used to analyse the qualitative data. The second component of the design consisted of a questionnaire that was administered to 360 Chilean customers who were entering or exiting a bank. A three-way factorial MANOVA was performed to examine the differences across the dependent variables. Results showed that the time invested by customers looking for a solution to the complaint and the time taken by banks to solve the complaint were equally important in the minds of the customers. The results of this research signal how banks may be able to develop and implement service marketing strategies to increase the evaluation of service recovery efforts. In short, banks could improve this evaluation by reducing customer time and complaint handling time. This paper provides an empirical analysis of two different types of time: customer time and complaint handling time. It also links these two types of time with complaint outcomes.

JEL Codes: M30

1. Introduction

Given the importance of non-complaining customers, past research has tried to understand some of the factors that may be triggering this phenomenon. Past research has examined individual characteristics of complainants such as personality, personal values, attitudes towards complaining, and attitudes regarding business and government (Bolfing 1989; Singh 1990, Rogers & Williams 1990). Other research has focused on examining situational factors (Richins 1983; Day 1984; Singh 1990). One aspect that has not been fully addressed by past research is the role of time in the service recovery process. In fact, past research has not been conclusive regarding the impact of time on customer evaluations of service recovery efforts (Davidow 2003). Some researchers have found that timeliness has an impact on service recovery evaluation and customer post-complaint behaviour and others

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Valenzuela & Cooskey

have not. It is possible that past research came to different conclusions because customers might have interpreted the concept of time in different ways. Additionally, past research has focused only on the time *businesses* take to resolve complaints and not on the time customers spend looking for a solution to the complaint. Pinnock (2009) proposed that the time invested in an activity cannot be recovered hence people will not engage in a particular activity if they have more important uses for that time. In terms of service recovery, this might mean that customers would consider, among other factors, the amount of time they have to spend looking for a solution to their complaints before making a decision regarding whether or not to complain. Obviously how much time they will be willing to spend in the service recovery process will depend on other factors as well as the severity of the problem and their past complaint experiences.

Despite the importance of the time customers have to spend seeking a resolution to their complaints, past research has not addressed this issue in a suitable way. Hence more rigorous qualitative and quantitative research needs to be conducted to answer the following research question:

RQ: How time is perceived by customers?

In view of this lack of information, this investigation sets out to determine the relative importance of customer time, complaint handling time and response outcome to the resolution of bank customer complaints. The investigation also aimed at determining the main effects and interactions between these three variables. Hence the findings of this study are different from others with a distinctive contribution to the body of knowledge.

In order to address the issue above mentioned this paper has been divided into four additional sections. The next one discusses issues related to methodology and data collection. The following section discusses issues related to results/analysis. Finally, the last two sections discuss the main conclusions of the study and its limitations.

2. Literature Review

A core marketing activity is to assist businesses into offering a high quality of service or product so that they can increase customer satisfaction which in turn leads to customer repurchase and long term customer loyalty (Kotler et al. 2003). In the face of increasing competition, businesses are moving from a transactional way of thinking to a strategic one focused on building relationships with customers. Buttle (1996:5) has shown that the impetus for the development of relationships with customers has been a growing awareness of the long-term financial benefits such a strategy can provide.

In order to achieve these long-term financial benefits, companies must design and deliver a service that pleases customers, so they have a positive experience during the service encounter (Lovelock, Patterson, & Walker 2004). To do so, companies must identify those factors that contribute to generating positive experiences for customers. Some of these factors are more obvious than others and not all experiences involve the same factors. Vargo and Lush (2004), based on a new

Valenzuela & Cooskey

marketing perspective they termed as the service-dominant (S-D) logic of marketing, established that the relationship between the organization and the customer has changed. The latter has been promoted to a co-producer of value who is constantly communicating with the firm to improve the quality of the offering (Vargo & Lush 2004). Gummerson (2006) stated that the S-D logic could potentially pave the way towards improved offerings and perhaps an even more responsible way of marketing.

The prevalence of service failure in retail service settings and the growth in importance of the service sector in the world's economy, both point to the need for a better understanding of the role that service recovery should play in today's marketplace. Service failures are inevitable and occur in both the process and the outcome of the service delivery (Lewis & McCann 2004). Because of this, companies must be ready to respond to their customers when they complain of a service failure. In this context, all actions that an organization may take to rectify a service failure are considered to be service recovery efforts (Andreassen 2001). In terms of the dimensions of service recovery, there is no consensus on which dimensions are most important to customers when evaluating efforts of service recovery, and few researchers have checked the simultaneous impact of more than three dimensions (Boshoff 1999; Davidow 2000; Estelami 2000; Tax & Brown 1998). Some of the most commonly reported dimensions of service recovery are compensation and time. Compensation refers to the benefits or other outcomes that a customer receives from the supplier in response to a complaint; and time refers to the perceived speed with which complaints are handled (Davidow 2000).

Regarding the service recovery dimension of 'time', past research has not been conclusive regarding the impact of 'time' on customer evaluation of service recovery efforts (Davidow 2003). Some researchers have found some impact of timeliness on service recovery evaluation and customer post-complaint behaviour, and others have not. It is possible that past research came to different conclusions because customers might have interpreted the concept of time in different ways. Besides, past research has focused only on the time businesses take to solve complaints and not on the time customers spend looking for a solution to the complaint. Business time to solve complaints implies passive waiting on the part of the customer and that the process is out of their control once complaint is made. Customer time to seek solution implies active investment of customer effort (requiring motivation etc), something they can control but which may be seen as time wasting on their part or as something they should not have to invest time and energy in. Hence it is important to determine if retail banking customers consider as equally important these two types of 'time' or if one of them is more important to customers than the other.

In terms of the outcome of the complaint, Duffy, Miller and Bexley (2006) and Johnston and Fern (1999) argued that banking customers expect the bank to listen to them and to fix the problem. However, several researchers have mentioned that correcting mistakes is not sufficient for a customer to be satisfied with the way businesses are handling complaints. Customers expect to be compensated. Some of these researchers have concluded that compensation is the single most important dimension to customers when evaluating service recovery efforts (Boshoff 1999; Estelami 2000). Considering this, it is relevant to determine the importance to retail

Valenzuela & Cooskey

banking customers of the service recovery dimensions of compensation and reversing bank mistakes.

Past research has not shown conclusive results regarding the interaction between the service recovery dimensions. Some researchers have found that there is an interaction among some service recovery dimensions (Blodgett, Hill, & Tax 1997; Boshoff 1997; Goodwin & Ross 1992). Other researchers have found no significant interaction between dimensions of the service recovery process (Megehee 1994; de Ruyter & Wetzels 2000). Hence more information is needed to determine if there is an interaction between the service recovery dimensions.

Apart from these gaps in service recovery knowledge of marketing practice, most of the existing studies on service failure and recovery have been undertaken within western industrialized countries. There is almost no information about service recovery in South American countries, which have a different cultural and socio-economic background. Kanousi's (2005) findings show that culture has an impact on service recovery expectations, which is in line with previous research that has studied the role of culture on service quality (Furrer, Liu, & Sudharshan 2000; Malhotra et al. 2004). Furthermore, other researchers have argued that conceptual models developed in a particular cultural context and socio-economic environment cannot be totally transferred and generalized to another one (Menguc 1996; Spreng & Chiou 2002; Yavas et al. 2003). Because a specific cultural context affects the outcome of any research conducted on service failure and recovery, businesses from South America are in a difficult situation due to the lack of valid information on service recovery that could be used to arrive at sound managerial decisions. Hence this investigation was based in a South American country, Chile.

With regards to the operationalization of these concepts, this investigation considered "customer time" as the time customers spend during the complain handling process; "complaint handling time" as the time taken by banks to solve the complaint; and "response outcome" as the action (s) taken by banks regarding the complaint, such as not reversing the mistake, reversing the mistake or/and compensating the customer.

3. Methodology and Data

To fulfill these goals, an exploratory sequential mixed method design was employed (Creswell & Plano-Clark 2011). In this design, two research methodologies were implemented: qualitative focused interviews and a survey based instrument. The qualitative focused interviews set out to identify the different types of time that were meaningful and important to Chilean retail banking customers when evaluating service recovery efforts. The survey was then developed from the themes that arose out of the interviews and aimed to examine the relationship(s) that exists between customer time, bank time, complaint outcome and service recovery evaluation. The research design and associated instruments and interview protocols were approved by a university Human Research Ethics Committee.

Qualitative focused in-depth interviews

Twenty-five qualitative focused interviews were conducted. The selection of participants for the interviews was based on customers from the retail banking industry. They were intercepted at all banks and were asked to participate in a short

Valenzuela & Cooskey

survey screening them on the basis of whether they had ever complained to a bank in the past and then how satisfied they were with the bank's response. Of those who answered the questionnaire, 15% reported extreme experiences when complaining in the past. These 15% were invited to participate in a focused interview and all who were asked were willing to participate. Seventy percent of the interview sample was male and 30% female. In terms of the interview itself, these customers were asked to talk about their best and/or worst experience when complaining. Twenty-four out of 25 of the customers that were interviewed talked about their worst experience when complaining, and 13 of them talked about their best experience. In total, 37 experiences were considered in this exploratory phase of the study.

With respect to the fieldwork required to conduct the qualitative focused interviews, the interviews were undertaken by the researcher with each interview lasting approximately 30 minutes. Every interview was also recorded to ensure no information was lost. These interviews were undertaken at a place convenient for the respondent, such as, their offices, coffee shop, etc.

Interviews were analysed using an inductive reasoning process, which utilizes the data to generate ideas or hypotheses (Holloway 1997). Hycner's (1999) 11 step process was followed which included a range of issues that needed to be addressed when analyzing qualitative focused interviews. These steps progressed from transcription to identifying general and unique themes for all the interviews.

Survey

The second part of the mixed methods design considered a quantitative type of research. A questionnaire was administered to 360 Chilean customers who were entering or exiting banks. Respondents were asked to evaluate a hypothetical complaint situation, in the form of a scenario (Table 1 shows the generic written scenario that was used as the template for all scenarios). The survey carried within it an embedded experimental design, involving the systematic manipulation of three independent variables.

Table 1: Written Scenario

Checking your bank statement you realize that the bank charged you \$100 for credit card maintenance fees, but when you opened your credit card your customer services officer told you would not have to pay such a charge. You go to the bank and complain to your customer services officer. <i>(You spend a lot of time talking to your customer services officer in several occasions either by phone, personally or email / You talked to your customer services officer on only one occasion and he tells you that in one more week the bank will tell you the outcome of your complaint) and after (one week / one month) your customer services officer tells you that (the charge would not be reverted / the charge would be reverted / the charge would be reverted and you would not have to pay chequing account maintenance fee for one year for the bother).</i>
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The three manipulated independent variables were: customer time (2 levels), complaint handling time (2 levels) and complaint outcome (3 levels). Each survey contained one scenario with one particular configuration of manipulated independent variables. This meant that the experimental design was a 2 by 2 by 3 between subjects design, yielding 12 different versions of questionnaire. To evaluate the

Valenzuela & Cooskey

different scenarios four dependent measures were used. With regards to scale items, three of the dependent variables were measured using two scale items (one in a positive direction and the other in a negative direction) and the remaining one with one scale item only. In relation to scale items with positive and negative direction, the idea was to force respondents to spend some time thinking about the answer to one particular statement in order to avoid acquiescent responses (i.e. either agreeing or disagreeing with all statements). For data analysis purposes, the negative direction scale items were reverse-scored and then an average score was obtained for each dependent measure.

Two scale items were relative to customer time, a further two dealt with complaint handling time and an additional two with complaint outcome. All these scale items were measuring using a five point Likert-type scale that ranged from (1 or 5) strongly disagree to strongly agree. The scale items were as follows:

Complaint outcome was measured using two scale items (from Blodget, Hill, & Tax 1997), which were:

*“Taking everything into consideration, the outcome I received was fair”, and
“In resolving the problem, the bank did not give me what I needed”.*

The complaint handling time was measured by two statements taken from the work done by Blodget, Hill and Tax (1997):

*“The customer services officer was quick in dealing with my problem” and
“The length of time taken to resolve my problem was longer than necessary”.*

In terms of the evaluation of the customer’s time, and considering that it was a new concept, this service recovery dimension was measured using two statements created by the researcher. These statements were:

*“The time I had to spend to get my problem solved was adequate”, and
“I spent more time than necessary to get a solution to my problem”.*

To get an overall evaluation of bank service recovery efforts, one additional dependent measure was included in the questionnaire. This dependent measure was global evaluation and it was measured using a question taken from the research done by Wirtz and Mattila (2003). This question was ‘How satisfied would you be with the business’ handling of the problem?’ which was measured using a five point scale ranging across (1 or 5) very dissatisfied to very satisfied.

In terms of data analysis, a three-way factorial Multivariate Analysis of variance (MANOVA) was performed. MANOVA was useful for examining differences across a set of metric dependent variables, given that the independent measures were categorical (Hair et al. 1998). All of the assumptions for MANOVA were met, and in all cases, the cell sizes were all above the minimum recommended size of 20 (Hair et al., 1998). In all cases the cells had at least 30 cases for the different combinations of factors, which meant that in total 360 customers evaluated the scenarios and that each scenario was evaluated by 30 different customers.

4. Results

Findings of the Focused Interviews

As it was mentioned earlier, the qualitative research considered 37 complaining experiences, 24 negative and 13 positive. The analysis of these experiences showed that Chilean customers valued at least two types of time when evaluating service recovery efforts: customer time and complaint handling time. Table 2 shows that customer time was mentioned in 18 out of 37 complaining experiences, whilst complaint handling time was mentioned in 31 out of 37 experiences. In addition, Table 2 shows that 100% of the positive complaining experiences included the discussion of customer time. Conversely, 100% of the negative complaining experiences included the service recovery dimension of complaint handling time. With regards to complaint outcome, correcting mistakes was mentioned in 33 out of 34 complaining experiences, whilst compensation was mentioned in only 11 out of 37 of them.

Table 2: Number of Experiences that Included the Service Recovery Dimensions of Customer time, Complaint Handling Time and Complaint

	Positive Experience When Complaining	Negative Experience When Complaining	Total
Customer Time	13	5	18
Complaint Handling Time	7	24	31
Complaint Outcome			
- <i>Correcting Mistakes</i>	9	24	33
- <i>Compensation</i>	5	6	11

Customer Time: This corresponds to the time that customers themselves spent in the process of solving their complaints. Customers do not want to spend too much of their own time on this process. Table 2 shows that this service recovery dimension was mentioned in 49% of the complaining experiences. One customer said, *'I went to the bank three or four times trying to look for a solution to my problem'* (respondent # 18). Many customers expected proper information regarding how much time it would take to have an answer to their problems and they wanted to know if they had to show any particular documentation to the bank relating to their situation. A customer said he told his customer service officer, *'if you need something you have to ask me immediately...I do not want to do anything else to solve the problem'* (respondent # 14). Customers also wanted to reduce the amount of time they invested in solving their problems either by lodging their complaints by phone or going to their banks only once. One customer mentioned, *'I only had to phone my customer service officer once and he took care of everything'* (respondent # 18). Further examples of customers' statements reflecting this dimension are listed in Table 3.

Valenzuela & Cooskey

Table 3: Examples of Quotes Relating to the Time Spent by the Customer During the Complaint Process

- *What is important is my time, not theirs* (respondent # 6)

- *I expect the customer service officer to tell me when the complaint will be solved, so I can manage my time* (respondent # 9)

- *I did not have to lose time in the complaint* (respondent # 18)

Complaint Handling Time: This related to the time taken by banks to completely solve the problem. Table 2 shows that this service recovery dimension was mentioned in 84% of the complaining experiences. It is logical to think that the less time that elapses in finding a solution to the problem the better, but in the mind of the respondents in the qualitative focused interviews the time they were willing to wait for outcomes to their complaints depended on the issues that caused the complaint and on the potential negative personal consequences of any mistakes the banks have made. For instance, respondent # 12 reported that his account was incorrectly charged with a maintenance fee and that he was willing to wait as long as it took for the bank to reverse the mistake. Another respondent (# 7) asked the bank to cash some investments and to deposit the money into his chequing account, but the bank did not complete the request for four days. He complained to his customer service officer and expected an immediate solution to the problem. He had issued some cheques and if the money was not deposited in his cheque account those cheques would be dishonored causing serious problems for him, *'They could have done it faster...especially in special situations'* (respondent # 7). Other respondents mentioned that the time spent for solving the complaint was not important as long as banks established an expectation of the period of time that it was likely to take and provided an answer within that time period. Respondent # 17 reported, *'The bank should establish a period of time for the solution of the problem'...* *'it took them longer than they originally told me it would take to solve the problem'*. Some other examples of respondents' quotations reflecting this dimension are listed in Table 4.

Valenzuela & Cooskey

Table 4: Examples of Quotes Relating to the Time spent for Solving the Complaint

Short Period of Time

- *A quick answer is important, so that they do not take too much time for charging you.* (respondent # 1)

- *The problem was solved quickly* (respondent # 2)

- *The time for solving the problem is most important* (respondent # 3)

Effective Period of Time

- *If my customer service officer needed two months instead of one, he should have told me* (respondent # 8)

- *Seven days ...that means this coming Wednesday...so, not Thursday* (respondent # 9)

- *If they say 24 hours ... in 24 hours the problem should be solved... and not... in 24 hours more!* (respondent # 14)

Complaint Outcome: Respondents mentioned two types of complaint outcomes: reversing banks mistakes and compensation. With regards to reversing bank, customers expected their problems to be solved. Table 2 shows that this service recovery dimension was mentioned in 89% of the complaining experiences. When banks made a mistake, all the customers interviewed were expecting their banks to reverse their mistakes as well as all of the negative effects related to the mistakes. For instance, one customer reported that the bank charged \$100 on his account, he complained and after three months his bank came to the conclusion that it was their mistake. The bank returned the \$100 and the customer was very satisfied with that response. This customer said, *'they gave me the money back'* (respondent # 20). In this example the bank mistake did not cause additional charges for the customer so the reversal of the \$100 mistake was considered a sufficient resolution. However, if some additional charges are brought about due to the bank's mistake (e.g. interest charges) the customer would expect the bank to reverse those additional charges also. One customer said, *'I do not intend to pay any interest or any other expense relating to the bank's mistake'* (respondent # 2) and another one stated, *'the bank should have said we are going to pay for everything, your account is closed'* (respondent # 14). Other examples of these comments are shown in Table 5.

Table 5: Examples of Quotes Relating to the Need for Banks to Reverse their Mistakes

-*Even though it was their mistake, they charged me the interest anyway* (respondent # 7)

- *It is like a chain of events that makes it difficult to reverse everything* (respondent # 8)

- *They reversed the charges* (respondent # 18)

- *I did not get compensation, but they reversed their mistake* (respondent # 25)

Valenzuela & Cooskey

With regards to compensation, some respondents expected compensation from their banks equivalent to the interest that was lost for not being able to use their money for a period of time. In their minds they had suffered a financial loss due to the opportunity cost of not having the money for three months. Table 2 shows that this service recovery dimension was mentioned in 30% of the complaining experiences. These customers expected their banks to not only reimburse their money, but to compensate them at least for the interest they may have lost on their money: *'They gave me my money back, but they did not give any interest'* (respondent # 3). These respondents were only expecting this compensation if the funds charged by the bank were deducted from their cheque accounts because they felt that if they were charged to their credit cards, it would not be a financial loss until they had to pay those charges off. Table 6 shows some other examples of customers' opinions reflecting this dimension.

Table 6: Examples of Quotes Relating to the Need for Compensation for Financial Losses

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| <ul style="list-style-type: none">- <i>I had to sell shares to pay the debt</i> (respondent # 9)- <i>When there are financial losses they should compensate</i> (respondent # 17) |
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In summary, from the qualitative focused interviews, evidence for three broad constructs was obtained: customer time, complaint handling time and complaint outcome. These dimensions were further examined in a survey, containing the embedded experimental design, in order to determine if there was a significant interaction between them.

Survey Findings

Table 7 shows a summary of the results of all multivariate tests associated with the evaluation of the between groups experimental design. The dependent variables assessed in this design were respondents' evaluations of: customer time, complaint handling time, complaint outcome and global evaluation of satisfaction with the outcome. First, Table 7 shows that there was a significant three-way interaction between customer time, complaint handling time and complaint outcome. Second, it showed that there were two significant two-way interactions between (a) customer time and complaint outcome and (b) complaint handling time and complaint outcome. The interaction between customer time and complaint handling time was not significant. Finally, Table 7 shows that there were significant main effect differences by customer time, complaint handling time and complaint outcome. All these results are discussed in the following sections of this paper.

Valenzuela & Cooskey

Table 7: MANOVA Results – Significance Multivariate Tests

Effect	Wilks' Lambd a	Exact F	Hyp. df	Error df	Sig.
CUSTOMER TIME (C.T.)	.80	12.32	7.00	345.00	<.001
COMPLAINT HANDLING TIME (C.H.T.)	.93	03.92	7.00	345.00	<.001
COMPLAINT OUTCOME (CO)	.87	03.68	14.0 0	690.00	<.001
C.T. * C.H.T.	.98	01.06	7.00	345.00	<.413
C.T. * C.O.	.79	13.12	7.00	345.00	<.001
C.H.T. * C.O.	.80	12.41	7.00	345.00	<.001
C.T. * C.H.T. * C.O.	.77	11.30	7.00	345.00	<.001

Interaction between the Independent Variables: As established earlier, the investigation asked about the interactions among three service recovery dimensions: customer time, complaint handling time and complaint outcome. To answer that question this section provides the results of three-way and two-way interactions between the three dimensions of service recovery; customer time, complaint handling time and complaint outcome.

Three-Way Interactions: *Interaction between Customer Time, Complaint Handling Time and Complaint Outcome.* Table 7 showed a significant multivariate three-way interaction between customer time, complaint handling time and complaint outcome ($p < 0.001$). Follow-up univariate F-tests revealed that the three-way interaction was significant for all four dependent variables used to evaluate the scenarios (see Table 8). The results mean that customers' evaluation of bank service recovery efforts varied conditional upon the configuration of all three service recovery dimensions included in the scenarios: customer time, complaint handling time and complaint outcome.

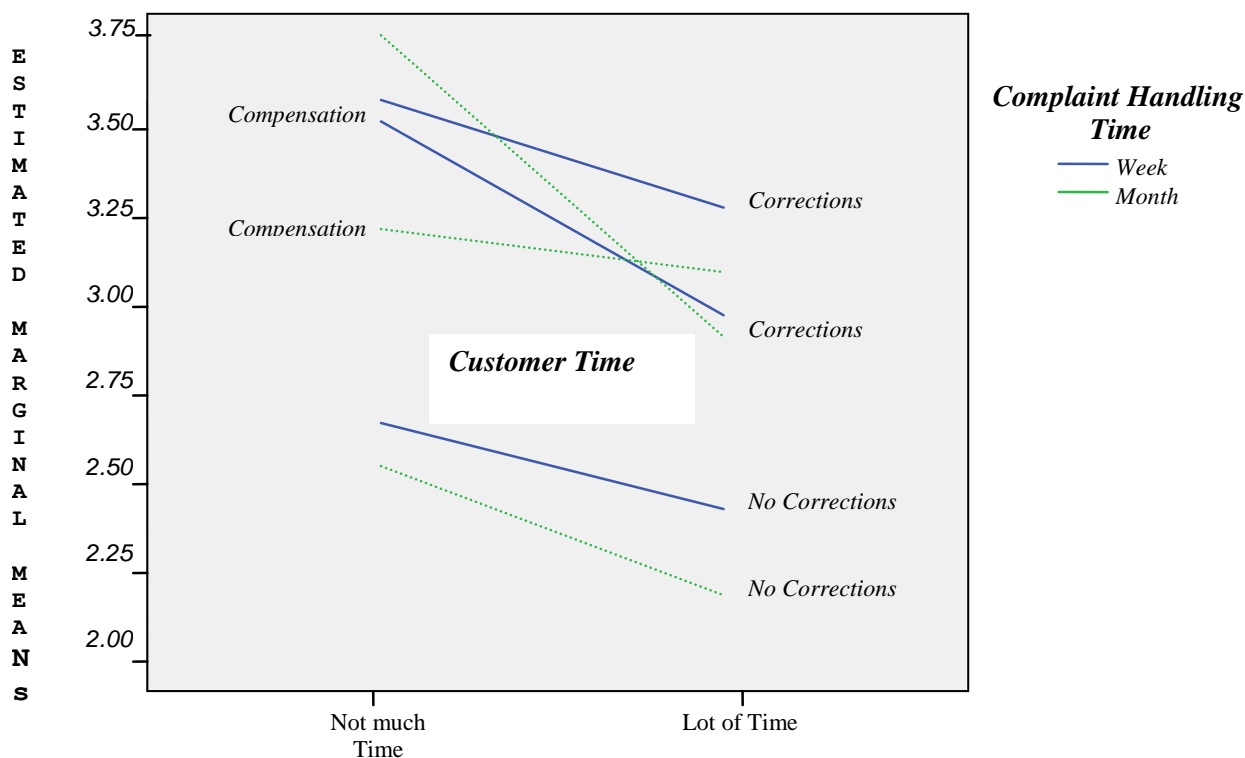
Table 8: MANOVA Results – Tests of Three-Way Interaction

Dependent Variables	Type III Sum of Squares	df	Mean Squar e	F	Sig.
Evaluation of Complaint Outcome	40.50 6	2	18.253	20.02	<.001
Evaluation of Complaint Handling Time	30.50 6	2	17.753	22.64	<.001
Evaluation of Customer Time	24.85 0	2	12.375	15.86	<.001
Global Evaluation	20.35 6	2	10.178	18.04	<.001

Figure 1 graphically shows this 3-way interaction of each level of complaint outcome (e.g. corrections, no correction, compensation) with customer time and complaint handling time in order to a clear understanding of the interaction pattern.. In that Figure only the pattern of means of the dependent variable “global evaluation” is shown. The other dependent variables only served as manipulation checks for your design and the emerging patterns matched the expectations to be induced by the experimental design.

Valenzuela & Cooskey

Figure 1: Estimated marginal means of global evaluation of scenarios for the significant 3-way interaction



The results show that if the outcome was “no correction”, then customer time and complaint handling time had broadly consistent effects. If recovery took a lot of time for the customer or a lot of time for the complaint to be handled, global evaluation was lower. Where there was a correction as outcome, the effects of customer time and complaint handling time were inconsistent. Customer time decreases global evaluation much more steeply if complaint handling time is longer rather than shorter. So here, the effect of customer time more strongly influenced global evaluation than did complaint handling time. Where there was compensation, a similar pattern to a correction outcome was observed, but effects were much flatter and the impacts of customer time and complaint handling time were reversed.

Two-Way Interactions: The 2-way interactions between a) customer time and complaint handling time, b) customer time and complaint outcome, and c) complaint handling time and complaint outcome are discussed in this section of the paper.

a) Customer Time and Complaint Handling Time: As shown in Table 7 there was no significant multivariate difference in the evaluation of the dependent measures related to the different combinations of customer’s time and complaint handling times ($p=0.413$). These findings show that the time spent by customers looking for a solution to the complaint and the time taken by banks to solve the complaint had consistent effects.

b) Customer Time and Complaint Outcome: The multivariate main effect for the interaction between customer time and complaint outcome was significant at $p<0.001$ (see Table 7), indicating that the dependent measures varied significantly between the different levels of customer time and complaint outcome. Table 9 shows

Valenzuela & Cooskey

that each of the four dependent measures showed significant differences in terms of the evaluation of the scenarios. Regarding the differences in the service recovery global evaluation, the worst overall score for service recovery evaluation was given to banks that did not reverse their mistakes compared with banks that either corrected the mistake or compensated their customers. Results also showed that even if banks do not correct their mistakes, they could improve their service recovery evaluation by reducing the time the customer had to spend looking for a solution to the complaint, that is by facilitating the complaining process. Additionally, results showed that if customers did not spend too much of their own time in the process of complaining, their evaluation was similar to those where customers were compensated. Conversely, if customers spent too much time in the process of complaining, they tended to evaluate more highly those instances where they were compensated.

Table 9: MANOVA Results – Tests of Interaction between Customer Time and Complaint Outcome

Dependent Variables	Type III Sum of Square s	df	Mean Square	F	Sig.
Evaluation of Complaint Outcome	57.526	2	57.526	61.13	<.001
Evaluation of Complaint Handling Time	25.026	2	25.026	23.57	<.001
Evaluation of Customer Time	40.838	2	40.838	16.99	<.001
Global Evaluation	54.150	2	54.150	53.99	<.001

c) *Complaint Handling Time and Complaint Outcome*: The multivariate main effect for the interaction between complaint handling time and complaint outcome was significant at $p < 0.001$ (see Table 7), indicating that the dependent measures varied significantly between the different levels of the two independent variables. Table 10 shows that all four dependent measures showed significant differences when the scenarios were evaluated. Regarding the differences in the evaluation, the worst overall score for service recovery evaluation is given to banks that did not reverse their mistakes compared with banks that either reversed the mistake or compensated their customers. Results also showed that even if banks did not correct their mistakes, they can improve their service recovery evaluation by reducing the complaint handling time. Additionally, results showed that if banks did not take too much time to solve the complaint, customers evaluated those instances whereby banks corrected the mistakes quickly more positively than those scenarios whereby customers were compensated. Conversely, if the complaint handling time was too long, customers evaluated compensation episodes more positively. In the latter, compensation virtually negated the impact of complaint handling time, whereas simply correcting a mistake dramatically reduced evaluation of the bank that took too long to handle the complaint.

Valenzuela & Cooskey

Table 10: MANOVA Results – Tests of Interaction between complaint Handling Time and complaint Outcome

Dependent Variables	Type III Sum of Squares	df	Mean Square	F	Sig.
Evaluation of Complaint Outcome	60.484	2	60.484	64.27	<.001
Evaluation of Complaint Handling Time	25.026	2	25.026	23.58	<.001
Evaluation of Customer Time	19.260	2	19.260	16.99	<.001
Global Evaluation	49.307	2	49.307	49.16	<.001

Evaluations of Main Effect for each Service Recovery Dimension

The main effects for customer time, complaint handling time and complaint outcome are discussed in the following sections of this paper.

a) *Customer Time*: The multivariate main effect for customer time, shown in Table 7, indicated that there were significant differences in the evaluation of the dependent measures ($p < 0.001$). Table 11 shows the results for each of the dependent measures that were used to evaluate the scenarios. All of them showed significant differences between the two levels of customer time. Results show that the evaluation of service recovery efforts varied significantly according to the time customers spent looking for a solution to their complaints. Consequently, customers evaluated banks' service recovery efforts more highly when they did not spend too much time looking for a solution to their complaints.

Table 11: MANOVA Results – Tests of Customer Time

Dependent Variables	Type III Sum of Squares	df	Mean Square	F	Sig.
Evaluation of Complaint Outcome	22.823	1	22.823	24.25	<.001
Evaluation of Complaint Handling Time	17.890	1	17.890	16.86	<.001
Evaluation of Customer Time	6.302	1	6.302	5.56	<.019
Global Evaluation	43.601	1	43.601	43.47	<.001

b) *Complaint Handling Time*: The multivariate main effect for complaint handling time, shown in Table 7, indicated that there were significant differences in the evaluation of the dependent measures ($p < 0.001$). Table 12 shows the results for each of the four dependent measures that were used to evaluate the scenarios. All of them showed significant differences between the two levels of complaint handling time (e.g. a week and a month). Results indicate that customers evaluated complaints that were solved in a lesser period of time significantly more positively. Therefore, banks could improve the evaluation of their service recovery efforts by reducing the time they took to provide a solution to customer complaints.

Valenzuela & Cooskey

Table 12: MANOVA Results – Tests of Complaint HandlingT

Dependent Variables	Type III Sum of Squares	df	Mean Square	F	Sig.
Evaluation of Complaint Outcome	12.393	1	12.393	13.17	<.001
Evaluation of Complaint Handling Time	4.753	1	4.753	2.61	<.041
Evaluation of Customer Time	14.671	1	14.671	12.94	<.001
Global Evaluation	7.659	1	7.659	7.64	<.001

c) *Complaint Outcome*: The multivariate main effect for complaint outcome, shown in Table 7, indicated that there were significant differences in the evaluation of the dependent measures ($p < 0.001$). Table 13 shows the results for each of the dependent measures that were used to evaluate the scenarios. All of them showed significant differences between the three levels of complaint outcome. Overall, results show that customers evaluate lower those instances where banks did not reverse their mistakes (mean = 2.8). Customers also evaluate slightly more highly those instances where banks reverse their mistakes (mean = 3.4) as compared to those cases where customers are compensated (mean = 3.3).

Table 13: MANOVA Results – Tests of Complaint Outcome

Dependent Variables	Type III Sum of Square s	df	Mean Square	F	Sig.
Evaluation of Complaint Outcome	12.476	2	6.238	6.63	<.001
Evaluation of Complaint Handling Time	11.113	2	5.556	5.24	<.006
Evaluation of Customer Time	8.946	2	4.473	3.95	<.020
Global Evaluation	26.587	2	13.293	13.25	<.001

5. Discussion of Results and Conclusions

The research shows the important role of time invested by Chilean customers during the complaint process. This time was considered as important as the time taken by banks in solving customers' complaints. This suggests that Chilean banks could improve their evaluation of service recovery efforts by reducing the time customers spend looking for a solution to their complaint, and by reducing the time they take to solve the complaint. Banks may improve their evaluation of service recovery efforts even if they do not reverse the negative consequences of their mistakes through communicating this quickly.

These results can be seen in the context of perceived risk. Perceived risk is often divided into numerous types, one being temporal risk (Lovelock, Patterson, & Walker 2004). These results suggest that one of those temporal risks is the risk associated with spending too much time resolving a problem if it emerges. In this way temporal risk is associated with post-purchase evaluation as well as pre-purchase evaluation. A management implication of this type of temporal risk is that a clear communication of the service recovery process would reduce that risk and aid in positive evaluation of the firm leading to repeat purchase and positive word of mouth. Similarly, an investigation undertaken in Brazil concluded that companies should improve their mechanisms for handling complaints and in particular, companies should improve

Valenzuela & Cooskey

the level of communication they have with their customers during the service recovery process (Martins 2004).

Regarding the complaint outcome, the research also shows that customers expect banks to reverse the negative consequences of their service failures. They also expect to be compensated, only when they spend too much of their own time and effort looking for a solution to the complaint and/or the bank takes too long to handle a complaint. The results mean that compensation might be avoided by reversing bank mistakes, reducing the time customers spend in the process of complaining and by reducing the time banks take to solve the complaint.

With regards to managerial recommendations, banks should improve communications with their customers and reduce the time customers spend during the complaint handling process. Banks could achieve this goal by performing the following tasks:

1. Having clear mechanisms for lodging complaints, so customers do not spend too time trying to figure out where and how to lodge the complaint
2. Acknowledging complaints by email, phone, letter, etc.
3. Requesting immediately all the necessary documents or any type of information that is needed to solve the complaint.
4. Informing customers how much time it will take to solve the complaint
5. If the complaint takes long time to be solved, banks should make a follow up to reassurance the customer that somebody is analysing the situation.
6. Informing customers the outcome of the complaint.
7. In case that the complaint cannot be solved in time initially informed to customers, banks should Inform customers that more time will be required to solve the complaint and they should explain why.

The results of this investigation also reaffirm the need for a multidimensional approach to dealing with complaints in the banking industry. Management in the banking industry should look at the feasibility and cost effectiveness of delivering service recovery systems sophisticated enough to respond to the expectations of retail banking customers, as highlighted by this study. By doing so banks could reduce the time customers spend in the process of complaining and in doing so increase customer satisfaction with the bank's service recovery efforts.

The results also have some implications for theory. The present study shows that "complaint time" can be seen in two very different ways: the time banks take to acknowledge and solve a complaint (complaint handling time) and the time that customers spend looking for a solution to the complaint (customer time). A failure to distinguish between these dimensions may explain why past researchers have obtained contradictory conclusions about the importance of time (Davidow 2000, 2003). Second, an additional theoretical implication lies in the distinction between the notion of compensation and the customer's desire for reversing a bank's mistake. In some past research (Davidow 2000; Estelami 2000), this concept has been considered as the total benefits or other outcomes that a customer receives in response to a complaint. This research showed that the activity of reversing bank's mistakes is not considered as being the same as compensation. These results are in line with the findings obtained by Duffy, Miller and Bexley(2006) and Johnston and Fern (1999) who argued that banking customers expect the bank to listen to them

Valenzuela & Cooskey

and to fix the problem. This indicates that these two concepts should be considered as different service recovery dimensions. By doing so, compensation goes from being the most important service recovery dimension (Estelami 2000; Boshoff 1999) to being a dimension that is of equal relevance with the other dimensions.

6. Limitations and Directions for Future Research

As with any research undertaking, some limitations must be acknowledged. This study focused on the retail banking industry, so the results are valid for retail banking customers only. Results cannot be generalized to other industries. Therefore, further research is needed to determine the importance of customer time and complaint handling time in other industry settings. Similarly, the sample was taken from one South American country only, Chile, which calls for a validation of the results in other South American countries, such as Brazil, and also in more developed countries, such as USA or Australia. However, the methodology used in this investigation may be useful for replication in other industries to obtain valid information to design mechanisms for handling complaints in different industry settings. Finally, one could query the external validity of the scenario-based methodology employed in this study. The scenario method assumed that customers would actually behave in ways signalled in their responses to scenario variations. It is, however, an open question as to whether or not their actual behaviours would replicate the patterns discovered here. This limitation was at least partially ameliorated by the exploratory sequential mixed methods design employed, where the qualitative interviews were able to reflect on actual customer behaviours.

With regards to other directions for future research, one of the questions that needs to be addressed is 'how much of their own time' customers are willing to spend actively looking for a solution to a complaint and 'how much time' customers are willing to passively wait to receive a solution to their problems. In addition, future research should determine exactly what type of compensation customers expect (e.g. monetary and non-monetary) and how much compensation banks should give to their customers. Future research could also ask the respondents to describe a real situation where they had to file a complaint.

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Valenzuela & Cooskey

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Valenzuela & Cooskey

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